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South Carolina General Assembly



Legislative Audit Council



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The State of South Carolina
General Assembly
Legislative Audit Council
Study of the
South Carolina Arts Commission
June 19, 1980

THE STATE OF SOUTH CAROLINA

GENERAL ASSEMBLY

LEGISLATIVE AUDIT COUNCIL

STUDY OF THE

SOUTH CAROLINA ARTS COMMISSION

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INTRODUCTION

The Legislative Audit Council was requested to review the cost effectiveness and contractual practices of the South Carolina Arts Commission. The Council examined the Arts Commission's legislation, organizational structure, goals and objectives and management practices.

In conducting this examination an attempt was made to contact all interested parties for their information. The Council surveyed local arts councils, local units of government and other Southeastern States' arts agencies. Also, interviews with Arts Commission personnel were conducted and information gathered. The Council appreciates the cooperation and assistance given by the Arts Commission and its staff and various State and local officials in developing this report.

BACKGROUND

The South Carolina Arts Commission was created in 1967 with the purpose of joining "with private patrons and with institutions and professional organizations concerned with the arts to ensure that the role of the arts in the life of our communities will continue to grow and play an even more significant part in the welfare and educational experience of our citizens."

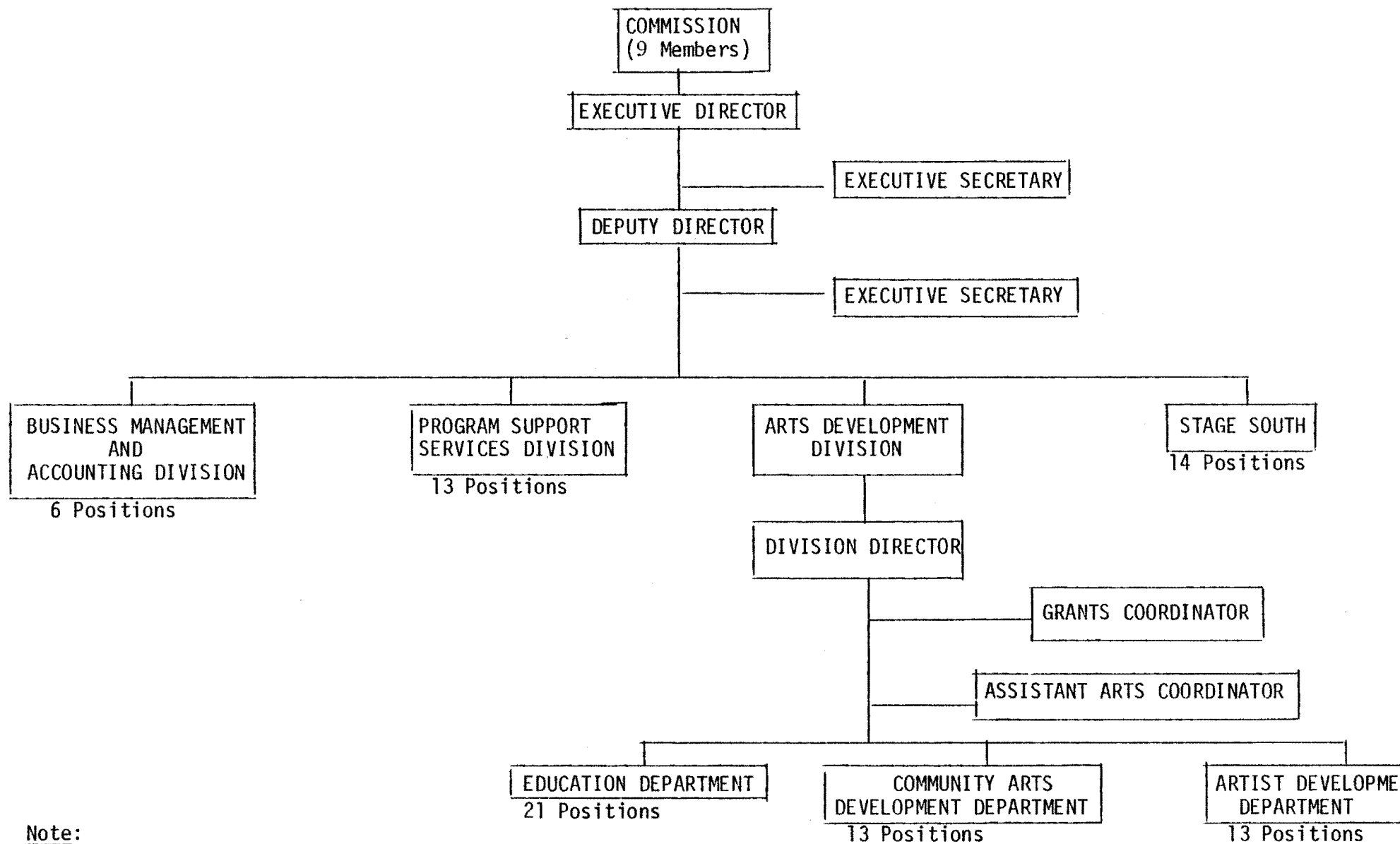
In 1967, professional arts organizations were scattered throughout the State and had limited funds. The establishment of the Arts Commission brought with it, during the first year of operation, a total budget of \$89,500 that primarily focused on grants-in-aid to local organizations for growth. Also, efforts were made by the Commission to notify the

public of its existence and encourage the establishment of new arts organizations throughout the State.

Presently, the Arts Commission has four divisions, as shown on the following page. The Business Management Division is responsible for all the accounting functions; the Program Support Services Division is responsible for property control and personnel; the Arts Development Division is responsible for all arts programs in education, community arts, and artist development; and, Stage South is classified as a State theater.

The Arts Commission's budget has grown from \$89,500 in 1967 to an estimated \$2,169,965 in FY 79-80. The Commission's budget for the past five years (FY 74-75 through FY 78-79) is shown in Table 1. For the five-year period State funds increased 132% while Federal and other funds increased 198%.

SOUTH CAROLINA ARTS COMMISSION



Note:

This chart reflects 87 positions appropriated for FY 79-80. For FY 80-81, the Commission is reducing the number of positions to 56.

TABLE 1

SCAC SOURCE AND APPLICATION OF FUNDSFY 73-74 to 78-79

	<u>FY 73-74</u>	<u>FY 74-75</u>	<u>FY 75-76</u>	<u>FY 76-77</u>	<u>FY 77-78</u>	<u>FY 78-79</u>
Expenditures						
Administration	\$145,571	\$ 188,238	\$ 306,814	\$ 257,526	\$ 253,379	\$ 366,220
Arts in Education	244,141	420,005	408,565	514,857	572,119	468,212
Community Arts	168,151	397,953	340,738	336,779	764,239	572,578
Professional Arts	162,228	343,786	434,280	556,180	285,209	268,080
Stage South	-	-	-	-	155,185	125,528
Employee Benefits	-	-	-	31,719	-	109,302
Total Expenses	\$720,091	\$1,349,982	\$1,490,397	\$1,697,061	\$2,030,131	\$1,909,920
Percentage of Change						
From year to year	-0-	88%	10%	14%	20%	-6%
Revenues						
General Fund Appropriations						
Balance from prior year	-	-	-	-	-	\$ 4,281
Appropriation	\$360,896	\$ 597,696	\$ 596,209	\$ 636,430	\$ 725,766	848,597
Lapsed	(18)	(6,739)	(29)	(203)	(6,938)	(8,097)
Carried Forward	-	-	-	-	(4,281)	(6,485)
Federal Funds	319,453	662,700	737,439	685,116	951,724	870,073
Balance from prior year	-	2,577	43,228	46,899	104,797	85,089
Carried Forward	-	-	(46,899)	(31,788)	(85,089)	(121,387)
Other Funds	39,760	93,748	160,449	360,607	344,152	245,165
Balance from prior year	-	-	-	-	-	21,553
Carried Forward	-	-	-	-	-	(28,869)
Total Revenues	\$720,091	\$1,349,982	\$1,490,397	\$1,697,061	\$2,030,131	\$1,909,920

Notes:

- (1) Source of information: State budget documents.
- (2) This statement not audited by LAC.

CHAPTER I
MAJOR FINDING AND REPORT SUMMARY

Major Finding

Introduction

Since its creation the Arts Commission has developed a centralized approach to providing services throughout the State. By law the Commission may choose whatever approach it feels best meets the needs of the State. A centralized approach requires first, that a sufficient administrative structure exist at the State level. Also, centralization seems to contribute to the feeling of local arts organizations, as expressed in their LAC survey responses, that they are not sufficiently involved. The Council is aware that during the past year the Arts Commission has been actively involved in "A Canvas of the People," a comprehensive statewide, long-range planning process. Through this process the Commission, working with 46 County Planning Advisory Committees, has identified artists and art organizations in each county, surveyed their needs, conducted public hearings in each county, and the 46 County Planning Advisory Committees have developed recommendations concerning how SCAC can best assist each county in developing the arts on the local level. The Arts Commission is currently in the process of reviewing the recommendations from all counties and will utilize their input in determining future directions and in developing a long-range plan for arts development in South Carolina. While the determination as to how much local involvement is appropriate rests with the Arts Commission, indications from LAC's research are that South Carolina could benefit from a more balanced sharing of State and local responsibilities.

The Council's review of other states' arts agencies shows a greater tendency toward decentralized operations. Such decentralized operations allow increased local participation and increased local funding. A potentially greater number of people and their ideas could be brought into the process. As a result the perception of how well programs are carried out should be improved due to more direct local involvement. Concerns and doubts about how effective services are may be resolved more immediately and efficiently. The following paragraphs present a more detailed explanation of the need for the Arts Commission to consider moving toward decentralizing some of its operations.

Need for Decentralization

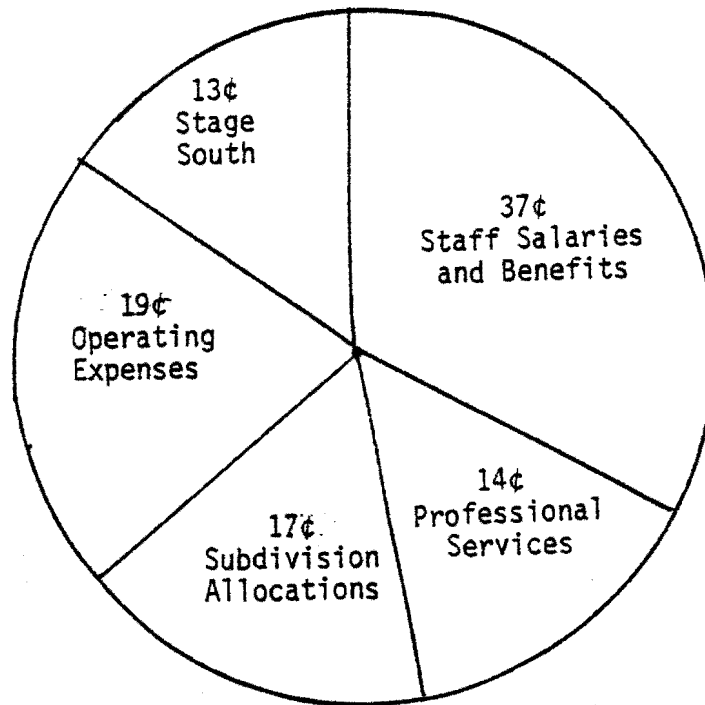
The South Carolina Arts Commission needs to increase local involvement in the provision of arts services throughout the State. The agency's direct service approach has resulted in State-level programs growing at a rate four times greater than allocations for local use. While State-level programs do provide services to the local areas, a decentralized approach would tend to maximize local participation and more fully encourage and stimulate local arts growth. A specific plan of action is needed to create a service delivery system which will increase local involvement.

During the period FY 72-73 through FY 79-80 the agency's total budget increased by 471%, yet subdivision allocations, in proportion to the total budget, have decreased 27%. This centralized approach allowed the Arts Commission to expand direct services through the Artist-in-the-Schools Program (AIS), the Total Arts Program (TAP), granting fellowships to artists on the State level, and providing funds for the development

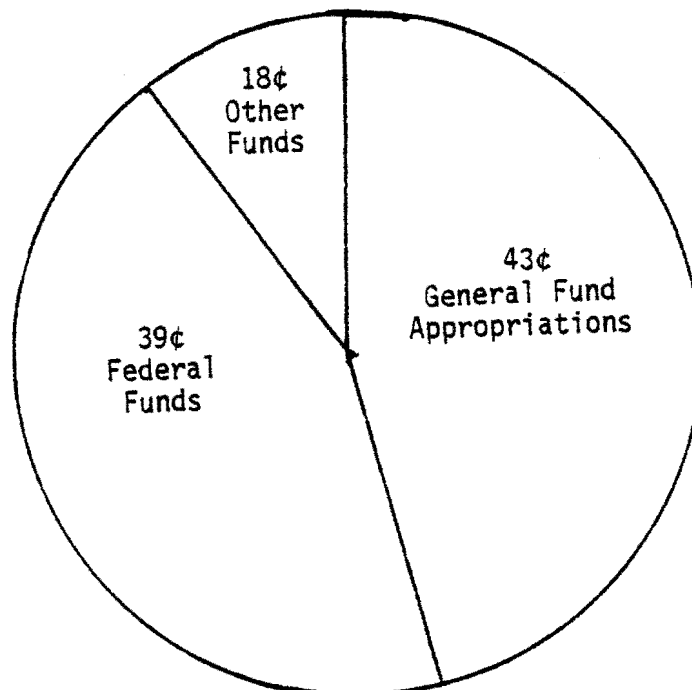
of a State theater (Stage South). These programs, plus staff salaries and benefits, operating expenses and personnel services, now consume 83% of the Arts Commission's total FY 79-80 budget of \$2,169,965.

The remaining 17% (see Table 1) is classified in the agency budget as subdivision allocations to cities and towns, counties, county libraries, school districts, other State agencies, other "entities" and the private sector. Currently, local contributions amount to 18% of the Arts Commission's total budget, yet allocations to subdivisions amount to only 17% of the total budget.

TABLE 1
EXPENDITURES OF THE ARTS COMMISSION DOLLAR



SOURCES OF THE ARTS COMMISSION DOLLAR



Source of Information: Estimated FY 79-80 expenditures as shown in the FY 80-81 Budget Document.

During the period FY 72-73 through FY 79-80 the Arts Commission's staff increased ten-fold from 8 to 87 positions including administrative personnel and artists. For FY 80-81 the Arts Commission is reducing its number of positions to 56. A survey of seven Southeastern States comparing state arts agencies' basic structure, staffing, and operation to that of South Carolina is contained in Appendix B. While a precise comparison may not be possible due to varying state directives, the South Carolina Arts Commission had the largest number of positions of the states surveyed.

	<u>FY 79-80 Total Positions</u>
South Carolina	60*
Tennessee	55**
North Carolina	32***
Kentucky	13
Alabama	12
West Virginia	11
Georgia	8
Virginia	6

Notes:

(1) North Carolina, Virginia, Georgia and West Virginia's State arts agencies are a division of larger umbrella organizations.

* The FY 79-80 State Appropriations Act authorizes a total of 87 positions for the Arts Commission. However, according to the State Personnel Service Detail Report the Arts Commission has a total of 110 positions, while the FY 80-81 Budget Request shows 60 positions for FY 79-80, 6 of the 60 positions are artists.

** This figure includes 35 positions for the State Museum.

*** 16 of the 32 positions are artists.

Concerning their operations, Virginia, West Virginia and Georgia felt that the majority of the programming (providing direct services) should be performed on the local level with the state's responsibility being to provide technical and financial assistance. Kentucky felt that there were not enough community arts organizations in their state to adequately cover the entire state's arts needs. Therefore, efforts would continue to be directed toward the development of more community arts organizations. Alabama indicated that as their local arts organizations develop, more programming responsibilities would be passed to them.

The Council requested a list of all local arts organizations in the State from the Arts Commission and received a list of 76 local arts councils and organizations which had sponsored arts activities. These 76 organizations were surveyed for their opinions of the Arts Commission's impact on a local level. A 43% response covering the entire State, including opinions from rural and urban areas, was received (see Appendix C).

The survey consisted of six questions. The first two questions were to determine if, in the opinion of the local organizations, the Arts Commission's present organization meets the needs of the State. Questions 3, 4 and 5 focused on whether the same organization or another arrangement would improve services and, question 6 was reserved for general comments.

The respondents indicated that they are generally in favor of increased local involvement. Further, respondents indicated that the present organization is perceived as being marginally effective. Also, in the opinion of the survey respondents, there is a very strong perception that programming or providing direct services on a local level

would more effectively meet community arts needs. Regarding general comments 9% were favorable, while 33% were not favorable, and 58% were undeterminable concerning the Arts Commission.

Conclusion

The Council concludes that significantly improved local expertise can occur through more active local participation. However, to allow local organizations absolute control over State arts funds may not necessarily assure the professional artistic growth desired. Therefore, the Arts Commission should develop a specific plan to attain increased local involvement balanced with central oversight controls which may be necessary. This will require the Commission to focus primarily on planning, priority setting, monitoring, technical assistance, evaluation and grants management, using State-level programs to fill in the needs which a local area can not meet. Detailed recommendations will follow the next section, Report Summary.

Report Summary

Chapter II of this report reviews various aspects of the South Carolina Arts Commission's administrative and management practices. The following summary provides an overview of the problem areas noted, while further details and recommendations for improvement are contained at the end of this section and throughout the body of the report.

While a number of weaknesses have been noted, certain members of the Arts Commission have indicated that positive steps are being and have been taken. This corrective approach should be considered

when reviewing the findings and recommendations presented. The Commission's written comments (Appendix E) contain a more detailed explanation of actions taken during and after the Council's review.

- A management consultant was procured improperly and paid \$18,122 during 1978 for the services of agency reorganization, financial management planning and staff training. The Arts Commission did not adhere to a State law requiring the prior approval of consultants, and State and Federal Regulations regarding competitive procurement procedures (page 22).

- The Arts Commission needs to improve controls over its \$198,000 inventory. The Audit Council reviewed the agency's property management practices because in 1973 the State Auditor recommended that the Arts Commission maintain and annually update their inventory records. Although the Arts Commission was in the process of verifying its inventory, as of June 1979 the inventory records were not yet complete and accurate. To test inventory control, the Audit Council selected two samples. First, a random sample of 119 items was selected from the 892 items on the master inventory list. Only 67% of these items were found. Second, 20 items valued at \$1,000 or more were selected for testing. Two of

these items were missing, a \$5,500 camera and a \$1,298 zoom lens. In total \$11,846 of the sampled property inventory at the Arts Commission was missing (page 24).

- The Arts Commission did not comply with State policy regarding justification of equipment need and competitive practices in leasing an Information Processor. The lease agreement requires an \$892 monthly payment while the purchase price of the equipment is \$26,674.50. Also, a Commission employee signed an agreement regarding the lease without proper authorization (page 27).

- The Arts Commission needs adequate written procedures regarding the authority and responsibility of individuals involved in contracting for artists' services. The Council's review of artists' resumes revealed a lack of uniformity of information on applicants' resumes. Additionally, the Commission needs requirements or procedures for updating resumes.

Also, a potential conflict of interest existed for certain panel members at the Arts Commission. The "visual arts panel" included a member who had previously been employed by the Commission as an artist and had a current resume (or job application)

on file with the Commission. Likewise, the "literary arts panel" was found to include as members two artists who had been employed by the Commission who also had current resumes on file. A potential for conflict existed in that these individuals exercised approval authority over other artists who were competing against them for employment with the Commission.

The Arts Commission lacked adequate documentation of the method used in determining salaries paid to artists. Salaries for artists ranged from \$340 to \$631.57 for Resident Artists on the bi-weekly payroll, and from \$50 per day to \$80 per day for Visiting Artists.

Invoices submitted by Visiting Artists needed supporting documentation from the sponsoring organization verifying the artists' activities. Even though artists' invoices for payment are authorized by the Regional Coordinators, this practice does not provide the necessary "checks and balances" to assure that payments are made for services which are properly rendered.

Of 65 agreements reviewed for the Visiting Artist Program, no written contracts were available for 16. The total professional fees for the period reviewed amounted to \$24,135 of which \$6,675 was paid to artists without written contracts.

Of 83 payments made to Visiting Artists from November 1978 to June 1979, written contracts were not available for 34. During the period from November 1978 to December 1978, 18 payments were made to Visiting Artists, none of whom had written contracts. Payment to these 18 artists totaled \$4,870 (page 31).

- The Commission has not included all allowable administrative costs in its indirect cost allocation proposal. The Commission uses a 2.7% indirect cost rate while an estimated rate of 29% of direct salaries and wages would be reasonable based on the FY 79-80 budget estimate. Because of the low indirect cost rate of 2.7%, the State is required to pay more than a fair share for administering federally funded programs. In effect, this denies the General Assembly its right to decide how State funds will be used, since they are already committed to pay for the administration of Federal programs (page 42).

- The hiring practices of the Arts Commission were found to be questionable in that the State's minimum training and experience requirements were in some instances not followed. Specifically, the Council reviewed the documentation for the hiring decisions made for five key management positions

and found that four apparently lacked the management experience required. In addition, the review indicated that three of the five positions were filled without advertisement or solicitation of applications within or outside the agency.

The accuracy of the Arts Commission's time and attendance records for full-time employees was questionable. Other than leave request forms, the only time and attendance records for full-time employees at the Arts Commission were the daily sign-out sheets maintained at the agency receptionist's desk. The Council selected a sample of the sign-out sheets that covered the period from August 31, 1979 to October 8, 1979 and compared them to official annual and sick leave records. A total of 21 instances were noted that indicated the necessity for submitting sick and annual leave requests. Of these 21 instances, only 13 coincided with the approved leave request forms on file in the personnel records.

In the past, the South Carolina Arts Commission has been inconsistent in conducting exit interviews with employees that have separated from the agency. The Council selected a sample of 31 full-time employees that had separated from the agency during the period from January 1978 to October 1979. Of these 31 employees the Council requested copies of

their completed exit interview forms. It was found that only seven of these employees had completed exit interview forms. This situation is contrary to Section 8.07, Paragraph A of the State Personnel Policies and Procedures Manual (page 44).

Conclusion

The Legislative Audit Council concludes that the South Carolina Arts Commission should seriously consider becoming primarily a planning, priority setting, monitoring, evaluating, technical assistance, and grants management agency. To most effectively accomplish these functions and improve administrative efficiency, consideration should be given to placing the Arts Commission within the Governor's Office of Executive Policies and Programs.

Presently, the Governor's Office of Executive Policies and Programs provides efficient administrative support for various Federal/State programs which operate in a similar manner as the Council proposes for the Arts Commission. The administrative support services provided through the Office of Executive Policies and Programs include personnel management, accounting, payroll, property management, purchasing and consultant procurement, indirect costs, auditing, and word processing services.

This organizational adjustment should free the agency from some administrative matters, allowing the Arts Commission to focus maximum effort on the State's arts needs and the continuing assessment of program impact. The proposed organization could involve a reduction of State-level spending for salaries and fringe benefits by an estimated \$400,000, and this sum could then be available at the local level.

MAJOR RECOMMENDATIONS

IN ORDER TO IMPROVE ADMINISTRATIVE EFFICIENCY, THE GENERAL ASSEMBLY, WORKING IN CONJUNCTION WITH THE ARTS COMMISSION, SHOULD CONSIDER THE BENEFITS OF PLACING THE ARTS COMMISSION WITHIN THE GOVERNOR'S OFFICE OF EXECUTIVE POLICIES AND PROGRAMS.

THE ARTS COMMISSION SHOULD CONSIDER DEVELOPING A SPECIFIC PLAN OF ACTION WHICH WOULD INCLUDE A REDUCTION IN STAFF AND MAKE MONEY AVAILABLE FOR INCREASED LOCAL INVOLVEMENT.

Narrative of Proposed Organization

The following pages outline the Council's proposed organization. The proposed organization has a structure with three levels; (1) the Arts Commission, (2) the Governor's Office - Division of South Carolina Arts Programs, and (3) ten District Councils of Government and eligible State agencies.

(1) Arts Commission

The major responsibilities of the Commission would be to approve the annual plan, program priorities and funding allocations.

(2) Governor's Office - Division of South Carolina Arts Programs

The present organization of the Arts Commission would become part of the Governor's Office of Executive Policies and Programs. The primary function of the agency would be to receive and allocate funds to the district level and ensure that the districts are expending their funds in accordance with Federal and State guidelines. This agency would ensure that all funds are expended to address the priority areas established by the Arts Commission and would administer State-level programs as deemed necessary by the Commission.

The Division of Arts Programs would have three operating levels; (a) the executive office, (b) grants administration, and (c) planning, evaluation and monitoring.

The grants administration would be comprised of eight positions. The major responsibility of this unit would be to ensure that grant funds are accounted for in compliance with Federal and State guidelines. The Grants Coordinators would conduct reviews of grant application budgets to ensure compliance with Federal and State guidelines.

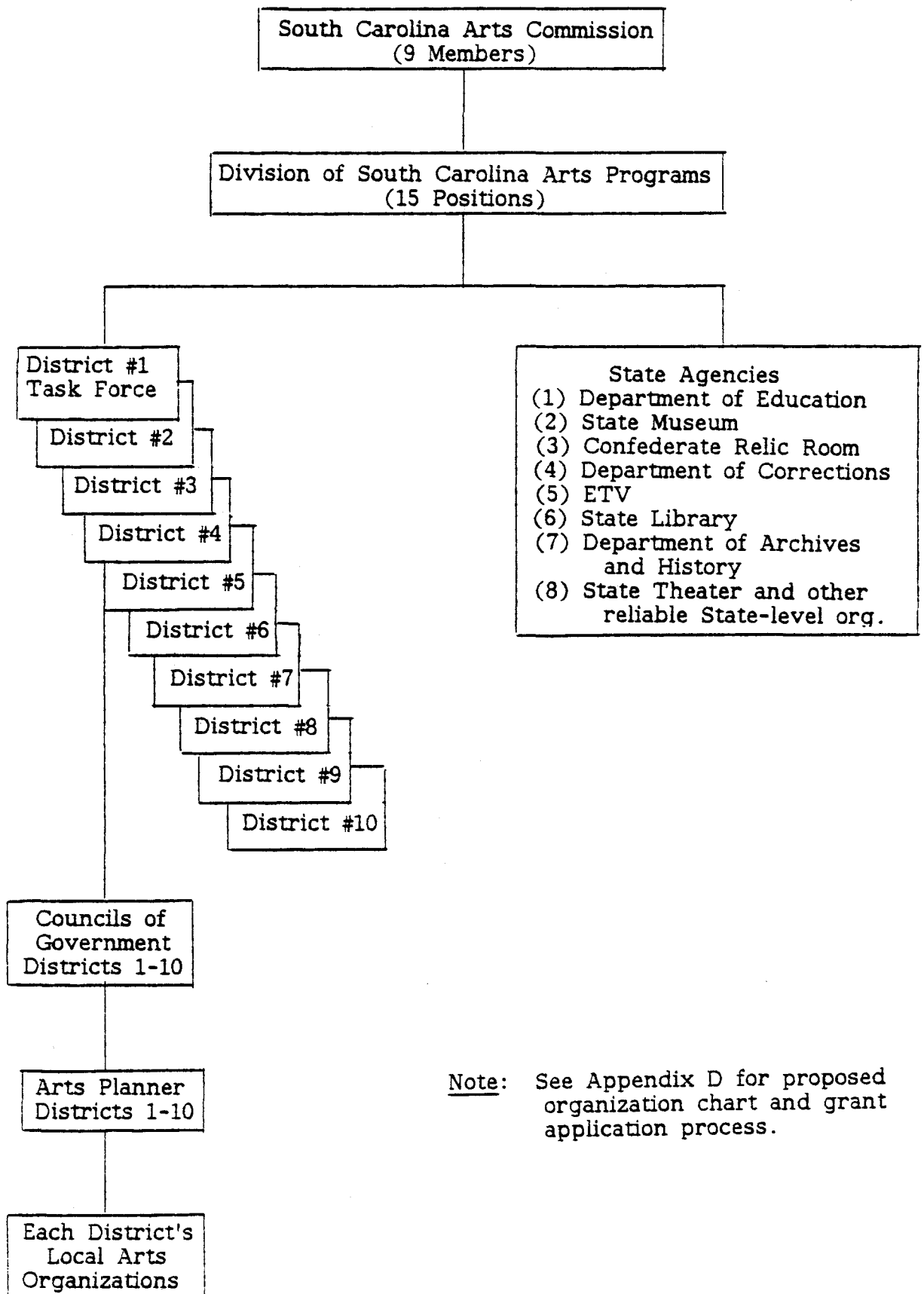
The planning, monitoring and evaluation unit would be responsible for regular on-site visits to the districts to monitor program effectiveness and compliance with State and Federal guidelines.

(3) District Councils of Government

The District Councils of Government would be responsible for the accountability of grant funds on the local level.

An Arts Planner would be hired by each of the District Councils of Government to provide technical assistance to the local arts organizations and solicit grant applications in accordance with the State's priorities from local arts organizations. State agencies would have the opportunity to submit applications directly to the Governor's Office - Division of South Carolina Arts Programs. These applications would be reviewed in the same manner as described for the district level.

PROPOSED STATEWIDE ARTS ORGANIZATION



Note: See Appendix D for proposed organization chart and grant application process.

CHAPTER II

ADMINISTRATION AND MANAGEMENT

Introduction

This chapter contains a review of various aspects of the South Carolina Arts Commission's administrative and management practices. Emphasis is given to the Commission's handling of contractual matters. Where a deficiency is noted an explanation is provided with recommendations for correction or improvement.

Management Consultant

A management consultant, paid \$18,122 during 1978 for the services of agency reorganization, financial management planning and staff training was procured improperly. The Arts Commission did not adhere to a State law requiring prior approval of consultants, and State and Federal Regulations regarding competitive procurement procedures.

The Appropriation Act for 1977-1978 states...

That no department, institution, or agency of the State Government shall contract in excess of \$500 per year for consultant services for any purpose without prior approval of the State Budget and Control Board. (Part I, Section 13, 1977-1978 Appropriation Act)

State purchasing regulations state...

An agency may avail itself of any consulting service that is provided without charge or obligation. Where items to be purchased are specified, the specifications are to be written to allow competitive bidding for items of the same quality. [Emphasis Added]

Approval by the State was not sought by Arts Commission management, even after a letter was sent by the State Comptroller General's Office

requesting the "Report on Consultants" form be submitted to the State Auditor's Office. Following this request, the Comptroller General's Office was informed that the individual was a temporary employee.

Federal Regulations regarding the procurement of "other services" with Federal grant funds were also violated. These standards are applicable because \$7,635 of the consultant's total fee was paid with Federal grant funds. Federal Management Circular 74-7, Attachment O, states that "procurements may be negotiated by the grantee if the contract is for personal or professional services." Negotiated contracts, however, are subject to two requirements. First, contractors are to be chosen because of "the potential ability to perform successfully under the terms and conditions of a proposed procurement," on their "record of past performance," and "contractor integrity." Second, a contract agreement should be maintained to ensure "contractor conformance with terms, conditions, and specifications of the contract." However, the Arts Commission did not obtain a resume' from the consultant, develop a written contract, or require a final report from the consultant.

The use of Federal funds for the consultant is questionable because funds for management consultant services were not included in the approved grant budget. Federal Management Circular 74-4 (Appendix B, Section C.5) states:

The cost of management studies... performed by... outside consultants is allowable only when authorized by the Federal grantor agency. [Emphasis Added]

Arts Commission management may have deprived taxpayers of a more suitable consultant obtained at a lower cost. An evaluation of the individual's consultant services could not be made as performance standards were not delineated by the Arts Commission and a final written report was not required of the consultant.

RECOMMENDATIONS

THE ARTS COMMISSION SHOULD ADHERE TO ESTABLISHED PROCEDURES ENSURING COMPETITIVE PRACTICES AND PROPER CONTRACTING FOR THE SELECTION OF MANAGEMENT CONSULTANTS.

THE STATE ATTORNEY GENERAL SHOULD REVIEW THIS SITUATION TO DETERMINE WHETHER THE STATE HAS ANY LIABILITY FOR ANY PORTION OF THE CONSULTANT'S FEE.

Property Inventory Control

The Arts Commission needs to improve controls over its \$198,000 inventory. The Audit Council reviewed the agency's property management practices because in 1973 the State Auditor recommended that the Arts Commission maintain and annually update their inventory records. Although the Arts Commission was in the process of verifying its inventory, as of June 1979 the inventory records were not yet complete and accurate.

To test inventory control, the Audit Council selected two samples. First, a statistical sample of 119 items was chosen from the 892 items on the master inventory list. Only 67% of these items were found. Second, 20 items valued at \$1,000 or more were selected for testing. Two of these items were missing, a \$5,500 camera and a \$1,298 zoom lens.

In total \$11,846 of the sampled property inventory at the Arts Commission was missing. Items missing from the State Arts Collection were two paintings and a piece of jewelry with a total value of \$1,600. A \$150 set of drums, \$146 stereo speaker, and two guitars valued at

\$124 were stolen from the Central Correctional Institution and Kirkland Correctional Institution where the Arts Commission sponsors musical programs.

The lack of current inventory control can be attributed to three deficiencies in the past property management system. First, the Arts Commission did not begin to emphasize property management until January 1979. Prior to that time property control had been only one of several duties of the Director of the Division of Administration. Second, prior to hiring a procurement/property manager, control for musical equipment loaned to the Central Correctional and Kirkland Correctional Institutions was assigned to the Arts Coordinator directing the Arts in Prison Program. However, proper management controls were not developed for the musical equipment at these institutions. Prisoners have not been held responsible for the musical equipment in their possession. Not until June 1979 did the Arts Commission develop a musical equipment sign-out form for inmates. Musical equipment has not been properly tagged, nor have physical inventories of the equipment been conducted regularly. Third, State Arts Collection pieces have not always been inventoried and tagged properly.

South Carolina Code 10-1-140 requires property management as follows:

The head of each department, agency or institution of this State, which employs less than one hundred permanent employees, shall be responsible for all personal property under his supervision and each fiscal year shall submit an inventory of all such property, except expendables, to the Director of the Division of General Services no later than August first of each year.

Federal property management standards are provided in Federal Management Circular (FMC) 74-7 Attachment N which states:

Property records shall be maintained accurately and provide for: a description of the property; manufacturer's serial number or other identification number; acquisition date and cost; source of the property...location, use, and condition of the property... A physical inventory of property shall be taken and the results reconciled with property records at least once every two years to verify the existence, current utilization and continued need for the property.

Inadequate property inventory control can allow the undetected theft or misuse of government property, unnecessary duplicative purchasing of equipment, distorted projections for future equipment needs, and wastes taxpayers' money.

RECOMMENDATIONS

THE EXECUTIVE DIRECTOR OF THE ARTS COMMISSION SHOULD SUBMIT A WRITTEN REPORT TO THE STATE AUDITOR CERTIFYING THE RECONCILIATION OF THE MASTER INVENTORY LIST TO THE ACTUAL INVENTORY ON HAND. ANY DIFFERENCES SHOULD BE INVESTIGATED BY THE COMMISSION AND WHERE NECESSARY REFERRED TO THE APPROPRIATE LAW ENFORCEMENT AGENCY.

THE PRESENT ARTS COMMISSION IDENTIFICATION STICKER FOR ALL PROPERTY SHOULD BE REPLACED BY TAGS OR DECALS WHICH CAN BE SECURELY FIXED, OR ENGRAVINGS WHERE APPROPRIATE.

IF NEGLIGENCE IS PROVEN ON THE PART OF INMATES, THE DEPARTMENT OF CORRECTIONS

SHOULD BE REQUIRED TO MAKE ARRANGEMENTS TO PAY FOR REPAIR OR REPLACEMENT COSTS OF MUSICAL EQUIPMENT.

THE ARTS COMMISSION SHOULD CONDUCT REGULARLY SCHEDULED INVENTORY INSPECTIONS AT KIRKLAND AND CENTRAL CORRECTIONAL INSTITUTIONS. ADMINISTRATORS AT BOTH PENAL INSTITUTIONS SHOULD BE REQUIRED TO CONDUCT REGULARLY SCHEDULED INVENTORY INSPECTIONS.

Lease-Purchase Agreement

Introduction

The Arts Commission is leasing an Information Processor at a monthly charge of \$892 with a purchase price of \$26,647.50. The Commission acquired this equipment under three leases; the first lease covered the information processor and was signed on November 15, 1978. The second lease covered an additional feature and was signed on February 8, 1979. The final lease covered a Mag Card Reader and was signed on May 15, 1979. The final lease included the monthly charges for all three (3) leases. The Council reviewed the procurement practices of the Arts Commission regarding these lease-purchase agreements.

The Council conducted interviews with members of the Commission's staff and examined agency documents where available to determine whether State policy had been followed. Also, the authority of a Commission employee to engage in contractual agreements was reviewed.

(1) Non-compliance With State Policy

The Arts Commission did not comply with State policy regarding justification of equipment need and competitive practices in its lease agreement. South Carolina's Purchasing Policies and Procedures Manual states that:

Agency heads and purchasing officials are responsible to see that the most economical methods possible are used to acquire personal property. Lease and lease-purchases are to be justified on the basis that it is more advantageous and economical to lease than to purchase.

This policy further states that:

Lease and lease-purchase are to be considered only when the following conditions are met:

- (a) Lease only when the product or service is necessary to the function of the agency.
- (b) Lease only when competitive bids are solicited... [Emphasis Added]

Further, the Comptroller General's Office requires:

Vouchers for payment of rent or lease of equipment, other than data processing will have to bear the following certification:

Provisions of Budget and Control Board's directive "Purchasing Policies and Procedures" have been complied with.

This certification is to assure that agencies have met conditions

(a) and (b) above.

The Council found inadequate documentation by the Commission to substantiate the need for the equipment. Through interviews with the Deputy Director and a Division Director, who were involved in determining the equipment needs of the Arts Commission, the Council learned no similar equipment from other companies was considered and no evidence of the need for "sole-source" procurement was available.

The only written documentation available was a list of the proposed information to be stored in the machine which included:

- (1) Personnel
- (2) Grants
- (3) Financial
- (4) Equipment
- (5) Planning
- (6) Mailing lists

The equipment was installed in February 1979. Eight (8) months after installation the Council reviewed the use of the equipment for the types of information listed. The information in items (1) through (5) duplicates the manual records which should normally be kept by the agency. For example, the agency receives the Comptroller General's monthly payroll register printout and transfers the information from that document to the machine for storage.

As for usage of the mailing lists, the Council attempted to determine how many names comprised each list and how often each list is used during the year. However, the Commission was not able to provide this information to the Council. The failure of the Commission to provide this information conflicts with the Commission's contention that rental of this equipment is an experiment. Conducting experimental activities of such expense requires that adequate records be kept to validate subsequent decisions.

RECOMMENDATIONS

THE ARTS COMMISSION SHOULD ADHERE TO
STATE PURCHASING REGULATIONS.

THE ARTS COMMISSION SHOULD IMMEDIATELY
CONDUCT AND DOCUMENT A COMPLETE REVIEW

OF THE NEED FOR THE INFORMATION PROCESSOR,
AND SUBMIT SUCH INFORMATION TO THE STATE
BUDGET AND CONTROL BOARD FOR REVIEW.

SHOULD THE BOARD FIND THAT THE JUSTIFICA-
TION IS INSUFFICIENT, APPROPRIATE ACTION
SHOULD BE TAKEN.

(2) Unauthorized Signing of Agreement

The Council found that an individual signed an agreement without proper authority. South Carolina Arts Commission Policies and Procedures Manual Number 3.1.5. Rules of Procedure: Contracts Section (2) states:

The Executive Director is authorized to prepare and sign contracts on behalf of the Commission after decisions have been reached by the Commission to work with other organizations.
[Emphasis Added]

This policy states that the Executive Director is authorized to sign contracts for the agency. The Council found that of the three lease agreements for this equipment, two were signed by the Director of Support Services and the other was signed by the Executive Director. The Director of Support Services was delegated authority to sign such agreements up to January 11, 1979. However, the third lease, which consolidated the two prior leases and added an additional component, was signed on May 15, 1979 by the Director of Support Services. Of the three leases those signed by the Director of Support Services were the most important in that they covered major components of the system (\$864.50 of the \$892.00 monthly payment).

The Executive Director, in a statement dated August 31, 1979, stated that "on January 11, 1979, (name deleted) Position Description and Performance Standards...were revised removing authority to sign any type of contractual agreement."

The agency violated management control principles by allowing an unauthorized individual to sign a contract. This practice could result in a situation where the agency and the State may have to honor unauthorized contractual agreements.

RECOMMENDATION

THE ARTS COMMISSION SHOULD DEVELOP A WRITTEN POLICY SPECIFYING PERSONS AUTHORIZED TO SIGN CONTRACTS OTHER THAN THE EXECUTIVE DIRECTOR. WRITTEN PROCUREMENT PROCEDURES SHOULD BE ESTABLISHED TO ENSURE THAT ONLY CONTRACTS SIGNED BY AUTHORIZED PERSONS ARE HONORED BY THE COMMISSION'S ACCOUNTING DEPARTMENT.

Procurement of Artists' Services

Introduction

The Arts Commission engages in contracting for the services of artists by classifying artists as either "Visiting" or "Resident." The "Visiting Artist" is a short-term agreement for approximately two weeks while the "Resident Artist" is a long-term agreement ranging from two weeks to a year. In either case, the services provided generally include the teaching of performing and visual arts throughout the State.

The process for hiring artists at the Arts Commission involves four steps: (1) Planning and Notification, (2) Selection and Hiring, (3) Formalization of Agreement and (4) Payment.

(1) Planning and Notification

South Carolina Code 60-15-90 states, "The Commission shall be the official agency of the State to receive and disburse any funds made available by the Federal Government for programs related to the creative and interpretive arts." Annually the Commission requests funds from the National Endowment for the Arts (NEA). At that time the Commission notifies possible sponsors that funding for arts related activities is available. With confirmation from possible sponsors that funds are available to meet any matching requirements, the selection and hiring process begins.

(2) Selection and Hiring

The selection process is conducted by screening panels for visual and literary art forms composed of artists, educators and other professionals. The panels' roles are to review the quality of work submitted by artists and determine which artists will be approved for employment by the Commission. If an artist is approved a resume is retained in a central file. When the need for a particular art form arises, the Regional Coordinator for the Commission obtains the resumes from the central file and schedules interviews with the various artists. These interviews are used to make a determination as to which of the artists is best qualified and available for placement with the sponsoring organization.

(3) Formalization of Agreement

Once the selection process is completed the specifications of the agreement are outlined in either a "Visiting Artist" or "Resident Artist" contract form. The salary amount is determined by the Regional Coordinator and artist, and entered into the contract. The contract is then submitted to the Arts Development Division Director and the Personnel Office for review and approval. Final approval is given by the Executive Director with a witnessed signature. After the contract is signed by the artist and witnessed, copies are distributed to the artist, the Regional Coordinator and the Arts Commission's Personnel Office.

(4) Payment

Resident artists are paid through the bi-weekly payroll system of the State. The Personnel Coordinator submits a personnel memo to the Accounting Department. The Accounting Department requests a sticker from State Personnel. Upon receipt of the sticker the artist is entered on the payroll and a P-10 form is submitted to begin the bi-weekly payments. These payments continue until terminated by the Commission.

Visiting artists are paid by a voucher system. The artist submits an invoice to the Regional Coordinator who verifies that the services have been rendered as specified in the contract. The Regional Coordinator submits the invoice to the Commission's Accounting Department which prepares a P-11 payment form and submits it to the State Comptroller General's Office to authorize a one-time payment.

For FY 78-79 the Arts Commission spent approximately \$215,833 for the services of visiting and resident artists. To review the Arts Commission's contracting process the Council analyzed the Commission's procedures and practices and compared them to State and Federal laws and regulations and standard accounting practices. The Council reviewed the contracts for 14 resident artists and 65 visiting artists who were paid for providing services during the period January 1, 1979 to June 30, 1979.

Need for Written Procedures

The Council found that the Arts Commission needs adequate written procedures regarding the authority and responsibility of individuals involved in contracting. The Council's description of the process is based on numerous interviews and a review of existing documentation. The only written statement of procedure concerning contracting was found in the South Carolina Arts Commission Policies and Procedures Manual. It authorizes the Executive Director "...to prepare and sign contracts on behalf of the Commission after decisions have been reached by the Commission to work with other organizations." Control practices in the areas of selection and hiring, formalization of agreements and payment, relied primarily on the personal integrity of the individuals involved. Weaknesses in the process included poor documentation of decisions concerning hiring and payment of artists, a lack of uniformity in determining artist salaries, the need for standard resume formats, and the use of verbal contracts.

Written procedures are necessary to show the existence and understanding of an adequate system of internal operating and accounting

controls. They establish an awareness of necessary controls and the intention of management to provide an adequate system. Further details of these contracting weaknesses and recommendations for improvement are presented in the following paragraphs.

Uniformity of Resumes Needed

The Council's review of artists' resumes revealed a lack of uniformity of the information on applicants' resumes. Additionally, the Commission needs requirements or procedures for updating resumes.

Resumes are used to determine the best qualified individual for the job by having the most objective information available. Resumes are also used to document the selection of one individual over another.

Of the 14 resident artists under contract to the Arts Commission four (4) were submitted on standard State Employment Forms, nine (9) were typewritten and one (1) was handwritten in the form of a letter. The resumes submitted on the State forms contained limited art-related information. This art-related information consisted of such items as, name of degree or certificate, type of work sought and employment record. Under employment record only two artists indicated previous art experience. One of these artists provided an attachment to supplement the employment form which included the categories of membership in arts organizations, exhibits, painting style and teaching. Of the artists who did not indicate previous work experience in art, a supplemental sheet was attached which included various categories such as campus, civic, professional and religious honors and activities. Typewritten resumes consisted of similar information that varied in length from one (1) to six (6) pages. Resumes for visiting artists also exhibited diversity as to the comparability of information submitted and length of resumes.

Since the final determination as to which artist is recommended for employment rests with the Regional Coordinators, the resumes are a source of vital information. The lack of uniform requirements for information to be submitted hampers the ability of the Regional Coordinators to evaluate and document the qualifications of the applicants. Although the Regional Coordinators complete an "Artist Applicant Considerations" form to rate an artist's experience, the ranking of this information is difficult. Major emphasis is given to the personal characteristics section of the Artist Applicants Considerations form which tends to be subjective rather than objective.

RECOMMENDATIONS

THE ARTS COMMISSION SHOULD DEVELOP A STANDARD RESUME FORMAT. THIS COULD EASILY BE ACCOMPLISHED BY TAKING THE DESIRABLE ATTRIBUTES FROM THE MANY RESUMES ON FILE AND DECIDING THE FORMAT AND ORDER MOST HELPFUL TO THE REGIONAL COORDINATORS.

THE ARTS COMMISSION SHOULD REQUIRE PERIODIC UPDATING OF RESUMES BY ALL ARTISTS ON AN ANNUAL BASIS AND/OR EACH TIME AN ARTIST SUCCESSFULLY FULFILLS A CONTRACT AND WISHES TO MAINTAIN AN ACTIVE RESUME WITH THE COMMISSION.

Potential Conflict of Interest

A potential conflict of interest existed for certain panel members at the Arts Commission. The Commission uses two types of panels (the Visual Arts and the Literary Arts) to screen artists seeking employment by the Commission. The purpose of these panels is to assure that artists applying for work have demonstrated an adequate level of competence in their fields. To accomplish this task these panels should reflect fairness and independence in their decision-making.

The Council found that the "visual arts panel" included a member who had previously been employed by the Commission as an artist, and had a current resume (or job application) on file with the Commission. Likewise, the "literary arts panel" was found to include as members two artists who had been employed by the Commission. These two members also had current resumes on file. A potential for conflict existed in that these individuals exercised approval authority over other artists who were competing against them for employment with the Commission.

The Arts Commission, in an effort to gain expertise on the panels, apparently overlooked the potential for conflict of interest that is presented by this situation. Although there was no indication that improper influence was exercised during the period reviewed, the possibility did exist.

RECOMMENDATION

THE ARTS COMMISSION SHOULD ESTABLISH GUIDELINES TO ELIMINATE POSSIBLE CONFLICTS OF INTEREST REGARDING ARTIST REVIEW PANELS. ARTISTS HAVING RESUMES ON FILE SHOULD NOT BE SELECTED FOR REVIEW PANELS.

Lack of Documentation of Artists' Salaries and Payments

- (1) Artists' Salaries - The Arts Commission lacked adequate documentation of the method used in determining salaries paid to artists.

Salaries for artists ranged from \$340 to \$631.57 for resident artists on the bi-weekly payroll, and from \$50 to \$80 per day for visiting artists.

Salary negotiations are the responsibility of the Regional Coordinators at the Commission. Interviews with four of the eleven Regional Coordinators revealed no standard methodology of how artists' salaries are to be determined. In general, payments are set by the amount of the grant requested. That is, a minimum and maximum pay range is set based on art form, experience and skills, and comparable salaries elsewhere. However, no written documentation showing comparisons of the information they claim to use was available.

- (2) Artists' Payments - The Council reviewed the Commission's payroll records for resident artists. Payments made to these artists lacked documentation specifying the dates, times and services rendered. Since resident artists are paid on the State's bi-weekly payroll, the artist's name is entered on the payroll voucher and submitted to the Comptroller General's Office. The Commission does not consistently require that pay records include time sheets or statements of hours worked.

Invoices submitted by visiting artists needed supporting documentation from the sponsoring organization verifying the artists' activities. Even though artists' invoices for payment are authorized by the Regional Coordinators, this practice does not

provide the necessary "checks and balances" to assure that payments are made for services which are properly rendered.

Generally accepted accounting principles can be satisfied only by a system which provides for adequate controls. These controls include a financial record-keeping system which not only provides the results of financial transactions but appropriate means of accumulating and maintaining supporting documentation.

Federal Regulations, OMB Circular No. A-102, Attachment G, Section 2(g) require:

Accounting records that are supported by source documentation.

An explanation of GAO and OMB source documentation requirements is provided in the Federal Grants Management Handbook, December 1978, which states that:

Source documents are required in support of transactions entered into the grantee's record-keeping system. Source documents would include:

- Purchase orders, contracts, or other documents which establish a legal obligation;
- time and attendance records;
- delivery receipts or vendor invoices which represent liabilities for goods or services; or
- approvals of travel advances, check requests, or other payment documents which authorize the disbursement of grant funds.

Commission management has not fully met these standards for documentation. Failure to adhere to the required standards can result in the recovery of funds by the Federal Government or improper payments being made to artists.

RECOMMENDATIONS

THE ARTS COMMISSION SHOULD ESTABLISH STANDARD PAY SCHEDULES FOR ARTISTS, WITH SUPPORTING DOCUMENTATION, AND PERIODICALLY UPDATE THESE SCHEDULES.

THE ARTS COMMISSION SHOULD CHANGE THE PRESENT INVOICE FORM USED BY ARTISTS FOR BILLING. THE FORM SHOULD INCLUDE:

- (1) SPECIFIC DATES, TIMES AND A DETAILED DESCRIPTION OF SERVICES RENDERED.
- (2) THE SIGNATURE OF AN AUTHORIZED REPRESENTATIVE OF THE SPONSOR WITH A STATEMENT OF VERIFICATION THAT THE WORK WAS PROPERLY PERFORMED IN ACCORDANCE WITH THE CONTRACT. ONLY THE PERSON(S) RECEIVING THE SERVICE SHOULD BE AUTHORIZED TO MAKE SUCH A VERIFICATION.

A SIGNATURE AUTHORIZATION CARD SHOULD BE RETAINED BY THE COMMISSION FOR EACH SPONSOR, ALLOWING A READILY VERIFIABLE CROSS-CHECK FOR ACCOUNTING AND AUDITING PURPOSES.

Use of Oral Contracts

During the period January 1979 to June 1979 the Arts Commission entered into 65 agreements in the Visiting Artist Program. Of these 65 agreements, 49 (75%) were by some form of written contract. No written contracts were available for the remaining 16 (25%) agreements. The total professional fees for this period amounted to \$24,135 of which \$6,675 (28%) was paid to artists without written contracts.

Of 83 payments made to visiting artists from November 1978 to June 1979 written contracts were not available for 34 (40%). During the period from November 1978 to December 1978, 18 payments were made to visiting artists none of whom had written contracts. Payment to these 18 artists totaled \$4,870.

Federal Regulations, OMB Circular No. A-102, provides standards for use by grantees in establishing procedures for the procurement of supplies, equipment, construction and other services with Federal grant funds. Attachment O, Section 9 of this Circular states:

A system for contract administration shall be maintained to assure contractor conformance with terms, conditions and specifications of the contract or order, and to assure adequate and timely follow-up of all purchases.

The Arts Commission began using written contracts for visiting artists in January of 1979. In deciding on this action the Commission neglected to include artists who had previously been retained by verbal agreements. The use of verbal agreements apparently was considered an acceptable practice by the Commission.

The use of oral contracts does not allow the necessary degree of public accountability. As a result, the Federal Government could consider a portion of these costs "unallowable" and require the Commission to refund its share of such costs.

RECOMMENDATION

WRITTEN CONTRACTS SHOULD BE REQUIRED FOR ALL ARTISTS PROVIDING SERVICES TO THE COMMISSION. IF ANY ORAL CONTRACTS NOW EXIST, THEY SHOULD BE PUT IMMEDIATELY INTO WRITTEN FORM.

Indirect Cost Rate

The Commission has not included their own administrative costs in its indirect cost allocation proposal. The Commission uses a 2.7% indirect cost rate while an estimated rate of 29% of direct salaries and wages would be reasonable based on the FY 79-80 budget estimate. Because of the low indirect cost rate of 2.7%, the State is being required to pay more than a fair share for administering federally funded programs. In effect, this denies the General Assembly its right to decide how State funds will be used, since they are committed to pay administrative costs for Federal programs.

Provided an agency files an indirect cost allocation proposal identifying indirect costs the agency wishes to claim, the Federal Government will pay State agencies the cost of administering its programs. Each agency's indirect cost proposal should include (1) the overhead costs originating in a State agency or unit performing a grant or contract and (2) the costs of central government services, such as the expenses allocated to each agency by the State Treasurer, Comptroller General and State Auditor's Offices.

In developing their indirect cost allocation plan, the Arts Commission failed to include their own administrative costs in managing grants and

included only the central government service costs. The following costs at the Arts Commission should have been included in the proposal to obtain a fair and proper rate: the costs of maintaining accounting and other information systems for the management of grant programs; advertisement costs in recruiting personnel for grant programs; bonding costs of employees who handle agency funds; operational costs of the Art Commission's central supply room; communications costs; maintenance and repair costs of property; in-service training; rent, utility, insurance, security and janitorial service costs; and management studies conducted to improve the efficiency and effectiveness of grants management.

The Audit Council recommended in a 1977 study of The Impact of Federal and Other Funding on Legislative Oversight that agencies' indirect cost allocation plans should include "all allowable statewide indirect costs and all allowable indirect costs of the agency for which the plan is prepared." Further, the 1978-1979 Appropriation Act requires that reimbursements of the Federal Government, including indirect cost recoveries, are to be returned to the State General Fund. The exclusion of the Arts Commission's own administrative costs in their indirect cost allocation plan can be attributed to several factors. First, the Arts Commission has not accounted for their administrative costs in a manner which would allow them to be allocated to their programs. Second, management at the Commission apparently lacked the expertise to negotiate an equitable rate. Third, there is currently no central State office designated to work with and assist the State agencies in formulating such proposals.

RECOMMENDATIONS

THE ARTS COMMISSION SHOULD DEVELOP AN
EQUITABLE INDIRECT COST RATE PROPOSAL.

THE STATE AUDITOR'S OFFICE SHOULD BE
DESIGNATED AS THE STATE'S REPRESENTATIVE
IN:

- (1) PROVIDING TECHNICAL ASSISTANCE TO
AGENCIES IN DEVELOPING INDIRECT COST
ALLOCATION PLANS, AND
- (2) OVERSEEING THE NEGOTIATIONS FOR INDIRECT
COST RATES BETWEEN STATE AGENCIES AND
FEDERAL AGENCIES.

Personnel Procedures

Introduction

The Council reviewed personnel management practices at the Arts Commission and found that several problems existed. First, in some instances the hiring practices of the Commission appeared questionable. Second, the agency had inadequate time and attendance records. Third, a questionable expenditure was made for an employee's tuition, and finally, the agency lacked adequate exit interview procedures. These deficiencies are discussed further in the following paragraphs.

Hiring Practices

The hiring practices of the Arts Commission were found to be questionable in that the State's minimum training and experience requirements were not followed in some instances. Specifically, the Council reviewed the documentation for the hiring decisions made for five key management positions and found that four apparently lacked the management experience required. In addition, the review indicated that three of the five positions were filled without advertisement or solicitation of applications within or outside the agency. While internal promotions are commendable, an equal opportunity should be afforded to all eligible persons. In one instance, documentation shows that the position was filled one month prior to the date the position was created (approved by the State Personnel Division).

The Council obtained resumes of the individuals selected for the four positions and compared them to the minimum qualifications for each job.

(1) Division Director

The minimum requirement for this position is "a bachelor's degree in one or more art forms and six years in implementation and management of art form programs." The resumes of the individuals selected for the two positions did not indicate the necessary six years of management experience that is required for the positions.

(2) Personnel Specialist III

The minimum requirement for this position is "a bachelor's degree and two years experience in personnel management programs."

The resume of the individual selected for this position did not indicate the necessary experience to place the individual in the position.

(3) Accountant III

The minimum requirement for this position is "a bachelor's degree in Business Administration and three years accounting experience; or high school graduation, one year commercial training and six years responsible accounting experience." This position also requires knowledge, skills and abilities to plan, organize and supervise work of subordinate personnel engaged in maintaining financial records. According to the resume on file, the selected applicant did not have the supervisory experience or the governmental accounting expertise needed to develop and supervise a total accounting system.

According to the agency's Personnel Advice and Information Sheet, the Deputy Director position was created by State Personnel and filled by the agency on July 6, 1978. The Arts Commission could not offer documentation to show that this position was formally advertised. In fact, indications are that the individual actually assumed the duties March 1978, approximately four months prior to the approval of the position by State Personnel.

The Personnel Advice and Information Sheet for the Personnel Specialist II positions states that this position was created at the Arts Commission on July 31, 1978. However, the job date of the individual selected is June 23, 1978, more than one month prior to the creation date.

The actions taken by the Arts Commission in hiring individuals in the Deputy Director and Personnel Specialist III slots prior to the date of approval by State Personnel, were contrary to Section 1.02, Paragraph G of the State Personnel Policies and Procedures Manual which states:

No action shall be taken to fill any position until it has been classified in accordance with the Classification Plan. [Emphasis Added]

The absence of well-designed hiring practices and effective recruiting and screening policies limits the agency's ability to obtain qualified managers.

Questionable Time and Attendance Records

The accuracy of the Arts Commission's time and attendance records for full-time employees was questionable. Other than leave request forms, the only time and attendance records for full-time employees at the Arts Commission were the daily sign-out sheets maintained at the agency receptionist's desk. The Council selected a sample of the sign-out sheets that covered the period from August 31, 1979 to October 8, 1979 and compared them to official annual and sick leave records. A total of 21 instances were cited that indicated the necessity for submitting sick and annual leave requests. Of these 21 instances the personnel records reflected only 13 instances coincided with the approved leave request forms on file. Additionally, instances of employees being allowed to conduct agency business at home for as long as a week during normal working hours were noted. This type of activity is questionable in that it is contrary to the intent of Section 3.03, Paragraph B of the State Personnel Policies and Procedures Manual which states:

Each agency is required to keep an accurate record of all hours worked and all leave taken... [Emphasis Added]

These activities can result in the violation of the State's pay law.

South Carolina Code 8-11-30 states:

It shall be unlawful for anyone to receive any salary from the State or any of its departments which is not due, and it shall be unlawful for anyone in the employ of the State to issue vouchers, checks or otherwise pay salaries or monies that are not due to State employees of any department of the State... Any violation of the provisions of this section shall be punishable by a fine of not more than \$5,000 or by imprisonment for not more than five years, either or both, in the discretion of the court. [Emphasis Added]

Inconsistent Exit Interview Procedures

In the past, the South Carolina Arts Commission has been inconsistent in conducting exit interviews with employees that have separated from the agency. The Council selected a sample of 31 full-time employees that had separated from the agency during the period from January 1978 to October 1979. Of these 31 employees the Council requested copies of their completed exit interview forms. It was found that only seven of these employees had completed exit interview forms.

Furthermore, upon examination of the Arts Commission's Policies and Procedures Manual, the Council did not find a section to explain the scope and purpose of the exit interview. This situation is contrary to Section 8.07, Paragraph A of the State Personnel Policies and Procedures Manual which states:

Each agency shall establish a procedure for interviewing each employee who separates from State service for the purpose of obtaining the reasons for the separation. [Emphasis Added]

RECOMMENDATIONS

THE STATE PERSONNEL DIVISION SHOULD REVIEW ALL HIRING BY THE ARTS COMMISSION AND MAKE RECOMMENDATIONS TO THE BUDGET AND CONTROL BOARD TO CORRECT ANY HIRING DEFICIENCIES.

THE ARTS COMMISSION SHOULD TAKE IMMEDIATE ACTION TO ESTABLISH PROCEDURES FOR MAINTENANCE OF ACCURATE LEAVE RECORDS FOR ALL COMMISSION EMPLOYEES. THE ARTS COMMISSION SHOULD ENSURE THAT EMPLOYEES' HOURS WORKED ARE FULLY DOCUMENTED.

THE STATE PERSONNEL DIVISION SHOULD CONDUCT A THOROUGH REVIEW OF EMPLOYEES' ANNUAL AND SICK LEAVE RECORDS AND TAKE APPROPRIATE ACTION.

APPENDICES

APPENDIX A

CHAPTER 15

South Carolina Arts Commission

SEC.

- 60-15-10. Legislative declaration of policy.
- 60-15-20. Arts Commission created; appointment and qualifications of members.
- 60-15-30. Terms of commission members; reappointment; executive director; vacancies.
- 60-15-40. Compensation of director and Commission members.
- 60-15-50. Commission may employ and remove officers and other employees.
- 60-15-60. Duties of Commission.
- 60-15-70. Powers of Commission.
- 60-15-80. Reports of Commission.
- 60-15-90. Commission designated official agency of State to receive certain Federal funds.

§ 60-15-10. Legislative declaration of policy.

It is hereby declared to be the policy of the State to join with private patrons and with institutions and professional organizations concerned with the arts to insure that the role of the arts in the life of our communities will continue to grow and play an ever more significant part in the welfare and educational experience of our citizens. It is further declared that all activities undertaken by the State in carrying out this policy shall be directed toward encouraging and assisting rather than limiting the freedom of artistic expression that is essential for the well-being of the arts.

HISTORY: 1962 Code § 9-351; 1967 (55) 439.

Cross references—

As to stealing, damaging, etc. works of literature or objects of art of certain institutions, see §§ 16-13-330 to 16-13-370.

§ 60-15-20. Arts Commission created; appointment and qualifications of members.

There is hereby created the South Carolina Arts Commission, to consist of nine members, representative of all fields of the creative and interpretive arts, to be appointed by the Governor with the advice and consent of the Senate from among private citizens who are widely known for their professional competence and experience in connection with the interpretive and creative arts. In making such appointments consideration shall be given to the recommendations made by representative, civic, educational and professional associations and groups, concerned with or engaged in the production or presentation of the fine arts generally.

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APPENDIX A (CONTINUED)

SOUTH CAROLINA ARTS COMMISSION § 60-15-60

HISTORY: 1962 Code § 9-352; 1967 (55) 439.

§ 60-15-30. Terms of Commission members; reappointment; executive director; vacancies.

The term of office of each member shall be three years, and until his successor has been appointed and qualifies, except that of the members first appointed three shall be appointed for terms of one year, three for terms of two years, and three for terms of three years. No member of the Commission, other than the executive director, shall be eligible for reappointment during a one-year period following the expiration of his term. The Commission shall designate an executive director to serve at the pleasure of the Commission and who shall be the chief executive officer of the Commission. All vacancies shall be filled for the balance of the unexpired term in the same manner as the original appointments.

HISTORY: 1962 Code § 9-353; 1967 (55) 439; 1969 (56) 94.

§ 60-15-40. Compensation of director and Commission members.

The executive director shall receive such compensation as may be provided in the annual general appropriations act and shall be reimbursed for all expenses actually incurred by him in the performance of his duties, within the amount appropriated therefor. The other members of the Commission shall receive no compensation for their services, but shall receive such per diem, mileage and subsistence as provided by law for members of boards, commissions and committees.

HISTORY: 1962 Code § 9-354; 1967 (55) 439.

§ 60-15-50. Commission may employ and remove officers and other employees.

The Commission may employ, and at its pleasure remove, such officers, experts or other employees as may be needed and shall fix their compensation within the amount appropriated therefor.

HISTORY: 1962 Code § 9-355; 1967 (55) 439.

§ 60-15-60. Duties of Commission.

The duties of the Commission shall include but not be limited to the following:

(1) To stimulate and encourage throughout the State the study and presentation of the performing and fine arts and public interest and participation therein;

APPENDIX A (CONTINUED)

§ 60-15-60

LIBRARIES, ARCHIVES, ETC.

(2) To make such studies as may be deemed advisable of public and private institutions engaged within the State in artistic and cultural activities, including but not limited to music, theater, dance, painting, sculpture, architecture and allied arts and crafts, and to make recommendations concerning appropriate methods to encourage participation in and appreciation of the arts to meet the legitimate needs and aspirations of persons in all parts of the State;

(3) To take such steps as may be necessary and appropriate to encourage public interest in the cultural heritage of the State of South Carolina and to expand the State's cultural resources; and

(4) To do such other things as may be necessary to carry out the provisions of this chapter.

HISTORY: 1962 Code § 9-356; 1967 (55) 439.

§ 60-15-70. Powers of Commission.

The Commission is hereby authorized to hold public or private hearings; to enter into contracts, within the amount made available by appropriation therefor, with individuals, organizations and institutions for services furthering the educational objectives of the Commission's programs; to enter into contracts, within the amount made available by appropriation therefor, with local and regional associations for cooperative endeavors furthering the educational objectives of the Commission's programs; to accept gifts, contributions and bequests of an unrestricted nature from individuals, foundations, corporations and other organizations or institutions for the purpose of furthering the educational objectives of the Commission's programs; to purchase and own property, both real and personal; to make and sign any agreements and to do and perform any acts that may be necessary, desirable or proper to carry out the purposes of this chapter. The Commission may request and shall receive from any department or agency of the State such assistance and data as will enable it to carry out its power and duties.

HISTORY: 1962 Code § 9-357; 1967 (55) 439; 1969 (56) 94.

§ 60-15-80. Reports of Commission.

The Commission shall make an annual report to the Governor and the legislature and shall make such other reports as it deems necessary.

HISTORY: 1962 Code § 9-358; 1967 (55) 439.

§ 60-15-90. Commission designated official agency of State to receive certain Federal funds.

The Commission shall be the official agency of the State to

APPENDIX A (CONTINUED)

SOUTH CAROLINA ARTS COMMISSION § 60-15-90

receive and disburse any funds made available by the Federal Government for programs related to the creative and interpretive arts.

HISTORY: 1962 Code § 9-359; 1967 (55) 439.

APPENDIX B

SURVEY OF SOUTHEASTERN STATES

<u>State</u>	<u># of Positions</u>	<u>Programming Responsibility</u>	<u>State Administered Program</u>	<u>Future of State Programming</u>
Alabama	12	Programming should be the responsibility of the State until local community arts agencies develop to take the responsibility of programming.	5-Folk Arts, Expansion Arts, Community Development, Artists in Schools.	As community Arts agencies develop, the State will be less involved in programming.
Georgia	8	All programming considered the responsibility of the local agencies.	2-Artists-in-Schools and a Prison Arts Program.	Would not become involved in programming, would provide technical assistance.
Kentucky	13	Programming is performed on the State level due to lack of Community Arts agencies to adequately cover the State.	4-Artists-in-Schools, State Touring Program Community Development and Writer in Local Communities.	The State would continue to administer generally the same programs.
North Carolina	32	The State should administer programs until local communities are able to function without the State agency. Then efforts would be made to address other State arts needs.	9-Dance Touring Program, Artist Training Program, Sponsor Development, Grassroots Arts, Visiting Artists, N.C. Touring Program, and Statewide Arts Resources.	As community agencies develop, the State agency would concentrate on other arts needs of the State.
Tennessee	55	Due to lack of Statewide community arts agencies, the State has to assume programming responsibilities.	3-Major Programs with technical assistance being provided in the areas of Visual Arts, Performing Arts, Community Arts Development, Artist-in-Schools, Folk Arts, Dance, Literature, Media Arts and Information Services.	The State will continue to try to meet the State arts needs due to limited number of community arts agencies.

APPENDIX B (CONTINUED)

<u>State</u>	<u># of Positions</u>	<u>Programming Responsibility</u>	<u>State Administered Program</u>	<u>Future of State Programming</u>
Virginia	6	Programming is considered the responsibility of the local agencies, with the State providing a technical assistance program.	1-Information Services Program.	The State would like to strengthen its information services program.
West Virginia	11	Local arts organizations are responsible for programming. The State provides technical assistance.	No Direct Programs	West Virginia will continue its present role.
South Carolina	60	Programming considered the responsibility of the State	20-Artists-in-Schools, Total Arts Program, Architects in the Schools, Visiting Artists, Arts in Motion, Teacher Incentive, Arts for Elders, Arts in Prisons, Filmmakers in Schools, Writers in Residence, Project Culture, Neighborhood Arts Development, Arts Truck, Crafts Truck, State Arts Collection, Artist Development, Major Media Center, Crafts Development, Stage South, Jazz Residency.	Plans to expand the present programs.

Sources of Information: S.C.A.C. Survey and S.C.L.A.C. Survey

APPENDIX C

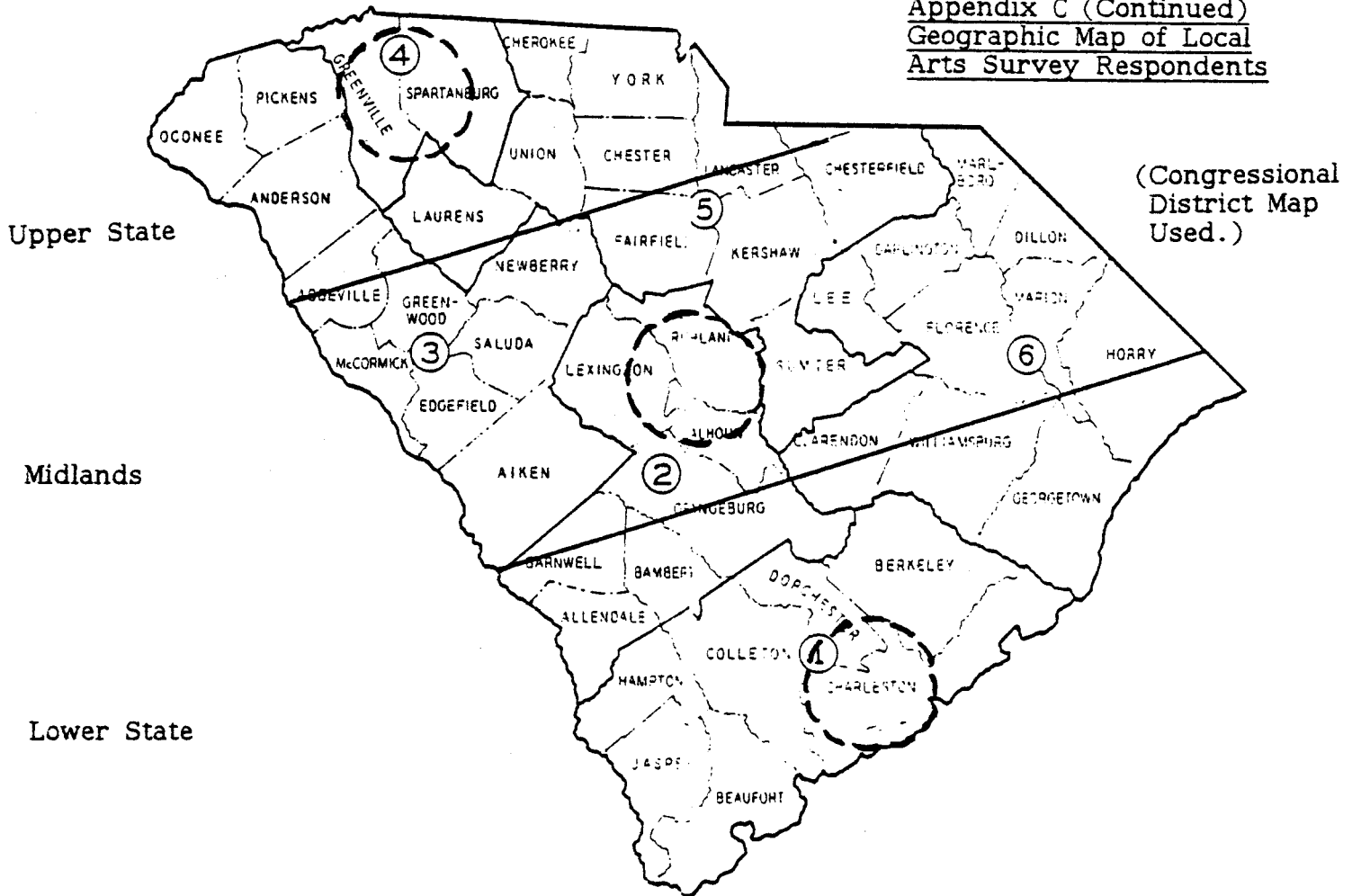
SURVEY OF LOCAL ARTS ORGANIZATIONS

	<u>Positive</u>	<u>Uncertain*</u>	<u>Negative</u>
(1) What is your general opinion of the effectiveness of the Arts Commission as it is presently organized?	43%	12%	45%
(2) How well do you feel the Arts Commission meets the arts needs of your area?	39%	18%	43%
(3) Do you feel that programming, if done on a local level, would be more effective in meeting the arts needs of your area?	73%	9%	18%
(4) Would you prefer the Arts Commission be primarily a grants-making agency?	49%	12%	39%
(5) If the Arts Commission became a grants-making agency, do you feel that having an Arts Coordinator in your district Council of Government as a liaison between your Arts Council and the State Arts Commission would be the most desirable approach?	49%	24%	27%
	<u>Favorable</u>	<u>Undeterminable*</u>	<u>Unfavorable</u>
(6) Please provide any further information you consider important to this review.	9%	58%	33%

Notes: Of 76 surveys, 33 responses were received.

*Surveys returned without comment or considered committed responses are categorized as "Uncertain" or "Undeterminable."

Appendix C (Continued)
Geographic Map of Local
Arts Survey Respondents



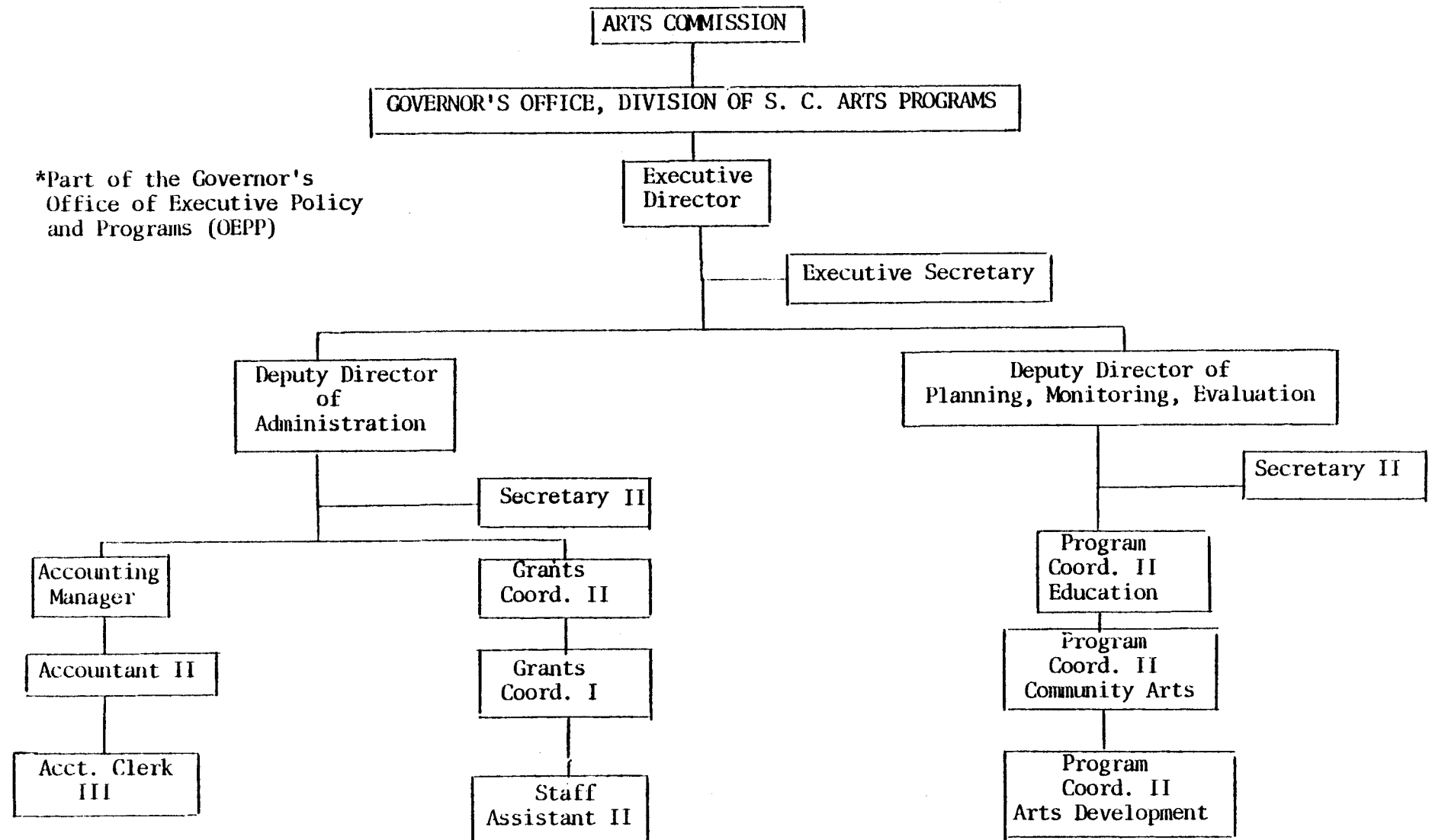
Local Survey Responses by Geographic Area

<u>Area</u>	<u>Favorable Response</u>	<u>Unfavorable Response</u>	<u>Undeterminable</u>
Upper State	36%	64%	0%
Midlands	25%	58%	17%
Lower State	56%	17%	17%
Urban*	33%	67%	0%
Rural	45%	35%	20%

*Area shown on map enclosed by dotted line.

APPENDIX D

PROPOSED ARTS AGENCY ORGANIZATION

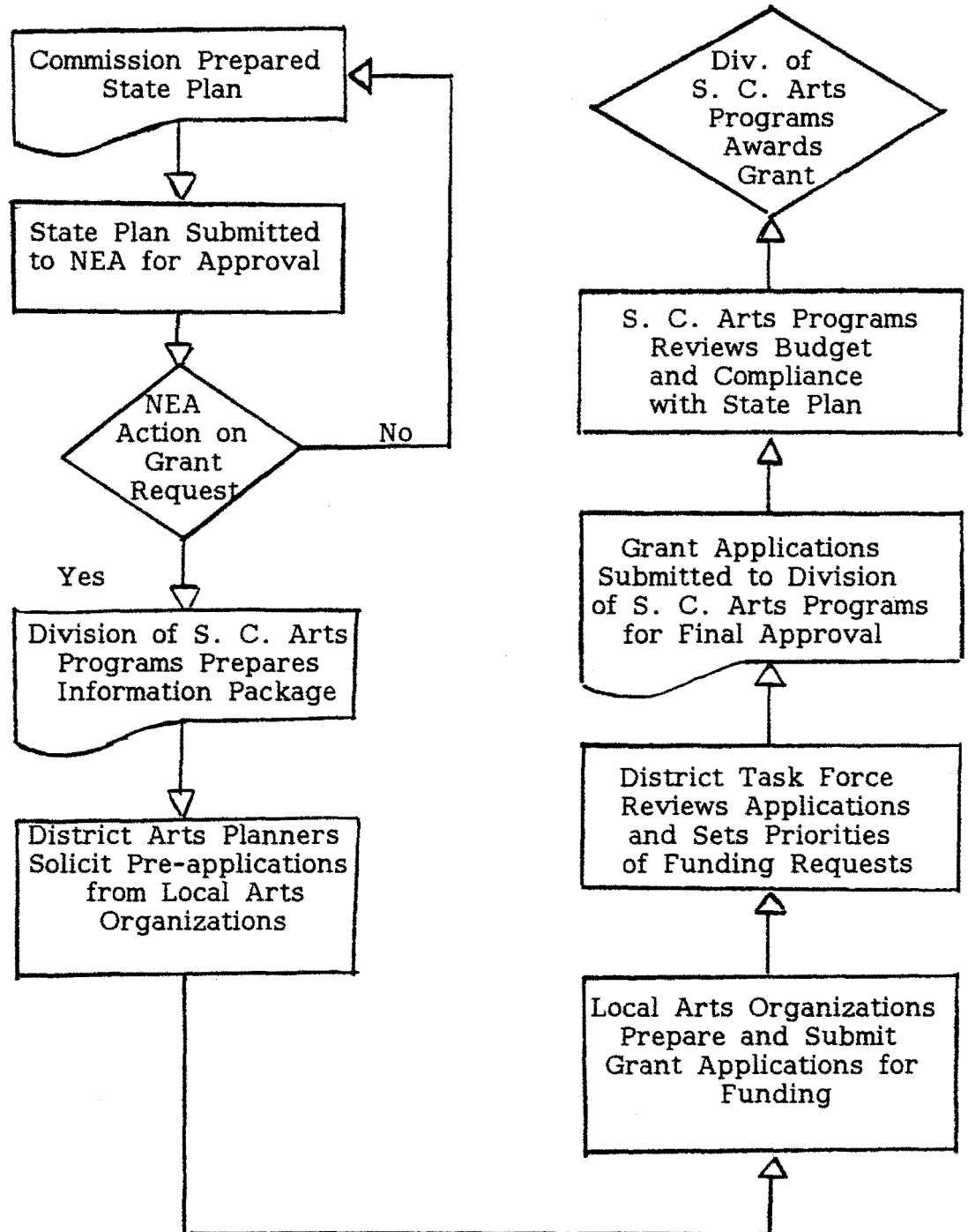


Total positions - 15

Grant funds passed through to ten local districts. Arts Planners stationed in each of the ten District Councils of Government. Stage South to become a separate self-supporting entity eligible for grants.

APPENDIX D

PROPOSED GRANT APPLICATION PROCESS



South Carolina Arts Commission
1800 Gervais Street
Columbia, South Carolina 29201
Telephone: (803) 758-3442

May 20, 1980

Mr. Frank W. Fusco
Principal Auditor
Legislative Audit Council
620 Bankers Trust Tower
Columbia, SC 29201

Dear Frank:

Enclosed is the Arts Commission's response to the Legislative Audit Council's most recent report.

If you have any questions or need additional information please let me know.

Sincerely,



SCOTT SANDERS
EXECUTIVE DIRECTOR

SS/hal
encl.

I. Introduction

The South Carolina Arts Commission disagrees strongly with the LAC conclusion that the Commission has not chosen the most effective methods of accomplishing its legislative mandate ...

"to join with private patrons and with institutions and professional organizations concerned with the arts to insure that the role of the arts in the life of our communities will continue to grow and play an ever more significant part in the welfare and educational experience of our citizens."

A letter from Livingston L. Biddle, Jr., Chairman of the National Endowment for the Arts, is included in this response. In that letter he states, ... "Your Commission has long occupied a position of leadership, and has indeed served as a model in the development of effective broad based state programming. Your efforts directed toward making quality arts experiences available to all the citizens of South Carolina have served as excellent examples of how a State Arts Agency can design and implement a comprehensive range of programs and services to complement a grants-in-aid program..."

LAC COMMENT - The letter cited was solicited by the Arts Commission during the exit conference process with the Audit Council to support the Commission's position. The Council's recommendation does not exclude State level programming where determined to be necessary by the Arts Commission. However, the Council does stress a plan of action to increase the role of local organizations.

In 1967 when SCAC was created, very few professional arts organizations existed. As LAC states, SCAC funds were initially used for grants-in-aid. However, since local arts organizations did not exist in all parts of the state, grantsmaking proved to be an ineffective method of carrying out the SCAC legislative mandate.

In 1970, the SCAC and the Office of the Governor's State Planning and Grants Division developed a long-range plan for SCAC. Involved in this process was the Arts Commission, the National Endowment for the Arts, the Associated Council for the Arts, the SC Chief Budget Officer (John Hills), the SC Director of Planning and Grants (William McInnis), and five other state arts agencies' Executive Directors. SCAC Long Range Planning, published April 1970 states, "WE FEEL VERY STRONGLY THAT THE PROGRAM DESIGN SHOULD EMANATE FROM THE COMMISSION. WE ARE RECOMMENDING A SHIFT FROM OUT-OF-HOUSE TO IN-HOUSE PROGRAMMING." Furthermore, it lists examples of programs which SCAC might initiate as: (1) rural arts programs, (2) programs for secondary and higher education, (3) touring art exhibits, and (4) study of the feasibility of establishing professional resident companies in the performing arts.

Since 1971, SCAC has been guided by its long-range plan and has appointed over 500 citizens to serve on SCAC Advisory Panels. During this period, SCAC sponsored statewide arts activities stimulated the development of many local arts organizations. Since 1969, SCAC has provided 122 Personnel Development Grants totaling \$324,899 to 48 local arts organizations to ensure the development of community arts administrators.

LAC COMMENT - The statement that "since 1969, SCAC has provided 122 Personnel Development Grants totaling \$324,899 ..." demonstrates the Council's point that adequate funds have not been made available to support the development of professional local arts administration.

NATIONAL
ENDOWMENT
FOR
THE ARTS

WASHINGTON
D.C. 20506



A Federal agency advised by the
National Council on the Arts

February 13, 1980

Mr. Rick George
Executive Director
South Carolina Arts Commission
1800 Gervais Street
Columbia, South Carolina 29201

Dear Rick:

Hank Putsch has informed me that the South Carolina Legislative Audit Council has raised questions concerning whether or not your agency is violating the Congressional intent of the legislation which created the National Foundation on the Arts and the Humanities and, concurrently, the National Endowment for the Arts. Specifically, I understand the Council maintains you have violated the intent of the following statement contained under Declaration of Purpose, Sec. 2.(5) of public law 89-209, "...it is necessary and appropriate for the Federal Government to help create and sustain not only a climate encouraging freedom of thought, imagination, and inquiry but also the material conditions facilitating the release of this creative talent;..."

I understand that the South Carolina Audit Council's position appears to be that by allocating funds to agency administered programs and services rather than placing all available money in a grants-in-aid program for community arts organizations, you have discouraged "freedom of thought, imagination and inquiry..." and have limited freedom of artistic expression.

As the Chairman of the National Endowment for the Arts and as one who prepared the legislation creating the National Foundation on the Arts and the Humanities for Senator Pell's subcommittee in 1965, I could not possibly agree that the South Carolina Arts Commission is in violation of the Congressional intent of this, or any other section of the Endowment's legislation.

The language quoted above was in no way intended to imply that state agencies' support of the arts was to be accomplished solely through a grants-in-aid program to community arts organizations. Such an interpretation would appear to me both erroneous in fact and in terms of legislative history.

The most relevant provision of the NEA Act regarding this question is contained in Sec. 5.(g)(1), which provides as follows: "The Chairman...is authorized to establish and carry out a program of grants-in-aid to assist the several States in supporting existing projects and productions which meet the standards enumerated in section 5(c) of this Act, and in developing projects and productions in the arts in such a manner as will furnish adequate programs,

Mr. Rick George
February 13, 1980

- 2 -

facilities, and services in the arts to all the people and communities in each of the several States (emphasis added)." Our General Counsel has advised that this language grants broad discretion to State Arts Agencies in the development and implementation of state programs, and that there is no legal basis, in his view, for concluding that the South Carolina program violates the intent of the federal statute.

Moreover, most State Arts Agencies conduct programs of one kind or another in addition to administering a grant-making process. These, as well as the South Carolina Arts Commission's program, are subjected annually to careful scrutiny by National Endowment staff and advisory panelists through a comprehensive grant application review process. This process specifically addresses whether or not the agency is meeting the letter and intent of the Endowment's legislation. Your agency has always been found to be in compliance, and has consistently received high praise from staff and panelists for the excellence of its program.

I find any assertion that the South Carolina Arts Commission is not in good standing regarding the Endowment's legislation to be unfounded. Your Commission has long occupied a position of leadership, and has indeed served as a model in the development of effective broad based state programming. Your efforts directed toward making quality arts experiences available to all the citizens of South Carolina have served as excellent examples of how a State Arts Agency can design and implement a comprehensive range of programs and services to complement a grants-in-aid program.

In closing, I would also want to note that the quality of leadership which you personally have given to your agency has been exemplary. The Endowment's high regard for the South Carolina Arts Commission and for its Executive Director is evidenced by the fact that we have called upon you so often for advice, counsel, and wisdom.

If I, Hank Putsch, or Robert Wade, our General Counsel, can be of assistance to you in your further discussions with the Legislative Audit Council, please do not hesitate to ask.

Sincerely,

LIVINGSTON L. BIDDLE, Jr.
Chairman

cc: Hank Putsch, Executive Director for Partnership
National Endowment for the Arts
Robert Wade, General Counsel
National Endowment for the Arts

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II. Major Issues

FISCAL YEAR: 78

During Spring 1978 the South Carolina Arts Commission identified significant deficiencies within its administrative and accounting services and took major actions to:

1. Provide qualified management;
2. Reorganize the agency to ensure effective and efficient management;
3. Develop effective administrative functions (accounting, personnel, purchasing, property control);
4. Analyze the arts needs of the state;
5. Evaluate the arts services provided by the Commission;
6. Develop a new, long-range plan for the agency.

The Commission requested and received the assistance of the State Auditor's Office in reviewing accounting records of FY76, FY77, and FY78 to identify problems in the previous accounting system and establish standards for a new system.

The Commission requested and received the assistance of the State Personnel Department in conducting a complete study of all positions in the agency to ensure that employees were properly classified and that job specifications for endemic positions were realistic and properly graded. This audit is still in process.

SCAC staff has been heavily involved during FY79 and FY80 in developing realistic solutions to these problems and implementing new policies and procedures to ensure effective agency operation.

By September 1980, SCAC intends to have needed administrative improvements fully operational, state arts needs analyzed and a long-range plan (developed with the assistance of over 1,000 SC citizens) adopted.

During the agency's extensive self-examination, many of the administrative problems cited by the LAC were identified by SCAC staff, and policies and procedures were effected during FY80 to address these. The LAC was provided with the new SCAC Policy and Procedures Manual which was issued to staff October, 1979. Since that time policies have been added or revised as they were developed. Recommendations listed on page 24 (consultant contracts), page 37 (state purchasing regulations), page 46 (artist review panels), page 49 (standard pay schedules for artists), and page 51 (written contracts) became effective for all SCAC staff during FY80.

In 1978 SCAC recognized the growth of local arts agencies and identified the need to reassess the state of the arts in SC and develop a second long-range plan. Effective September 21, 1978, the Commission adopted Policy 11.2.1 to officially outline its support of community arts development. Section 2 of this policy states:

"The South Carolina Arts Commission recognizes the need for a system to develop, sustain, and deliver arts activities at the community level. The Commission further recognizes that Community Arts Agencies, especially local arts councils, should comprise this system. This commitment to community arts development mandates a Community Arts Agency-State Arts Agency partnership, similar to the relationship which exists between State Arts Agencies and the Federal/State Partnership Program of the National Endowment for the Arts."

FISCAL YEAR: 79

In FY79, as the agency was reorganized, the SCAC took five major actions to address this situation:

1. SCAC established regional arts development as a priority by organizing arts services one under division of the agency and assigning each of 12 arts coordinator a three - five county region. Regional Arts Coordinators serve as liaisons with local arts organizations, provide technical assistance and coordinate all SCAC services (grants and programs) in their regions.

LAC COMMENT - The Regional Coordinator system of the Arts Commission is segmented and the staff is housed in Columbia. The Council's proposal would place a full-time professional in each of the ten Councils of Government planning districts which are already established for various other State/Federal programs. The South Carolina Association of Councils of Government Executive Directors has indicated to the Legislative Audit Council a favorable position toward accepting such an arts responsibility.

2. SCAC requested as its first priority and received from the State Legislature for FY80 an additional \$80,000 for its grants program.
3. SCAC designed and implemented "A Canvas of the People," the agency's long-range planning process.
 - ° SCAC designed and conducted a random-sample telephone survey of 1,000 citizens concerning attitudes toward the arts.
 - ° SCAC designed and conducted a survey of professional artists to determine their needs.

FISCAL YEAR: 80

In FY80, SCAC has taken the following additional actions to address the development of the arts on the local level:

1. SCAC assisted community arts agencies in forming the SC Association of Community Arts Councils.
2. SCAC continued to develop 46 "Canvas of the People" County Planning Advisory Committees and facilitated meetings in each county.
 - ° 430 citizens are currently serving on 46 Planning-Advisory Committees which are assisting SCAC in
 - identifying local arts resources
 - analyzing current arts needs
 - recommending ways SCAC can best assist each county in developing the arts
 - ° 650 citizens have attended Open Forums on the Arts sponsored by SCAC in each county during FY80. The Commission intends to have its new plan adopted and published by September 1980.
3. SCAC designed and, with the assistance of Planning Committee members, surveyed the majority of local arts organizations in SC.
4. SCAC is providing technical assistance to the SC Association of Community Arts Councils in sponsoring a statewide publicity campaign for the arts.
5. On a pilot basis, SCAC sub-granted to three organizations administrative responsibility for administering Artists-in-the-Schools programs.

SCAC agrees with LAC's conclusion that "significantly improved local expertise will come only through more active local participation and increased funding." SCAC is making every effort to ensure that local arts development occurs in an effective and efficient manner and at a rate which is constructive for the state as a whole.

The deadline for grant applications to SCAC for the FY81 grants-in-aid program was February 1, 1980. SCAC received grant applications from 62 organizations in 20 counties. Although many arts organizations have developed in SC since 1967, SCAC would not be able to accomplish its mandate by only awarding grants. IF LAC'S RECOMMENDATION OF ELIMINATING ALL SCAC PROGRAMS WAS ACCEPTED, 26 COUNTIES WOULD RECEIVE NO STATE SUPPORTED ARTS SERVICES DURING FY81. The 62 organizations requested a total of \$530,602. Of the 20 counties requesting funds, 82% OF THE FUNDS REQUESTED WERE FROM ORGANIZATIONS LOCATED IN THE FOUR MAJOR METROPOLITAN COUNTIES -- GREENVILLE, SPARTANBURG, RICHLAND, AND CHARLESTON-- thus indicating to SCAC the state need continue to providing comprehensive arts services (programs, grants and technical assistance) to the entire state. Through the comprehensive arts services which SCAC has provided during FY80, all 46 counties have received arts services from SCAC.

LAC COMMENT - The Council does not recommend the elimination of any SCAC programs or question the program needs of the State. As proposed, the Commission's role continues to be setting priorities and determining what programs will be eligible for funding.

III. SCAC Response to LAC Report Summary

1. Procurement of Management Consultant:

The Commission disagrees that it willfully violated any of the state or federal regulations cited here. Policies have been adopted within SCAC to insure that proper State and Federal procedures will be followed when hiring consultants in the future.

LAC COMMENT - The Council does not imply that the Commission willfully violated any law or regulation. However, the violation noted should be further reviewed to protect the State from any possible liability.

2. Hiring Practices:

SCAC disagrees that four of five people selected to fill management positions lacked management experience required. Four of the five met all experience requirements.

3. SCAC Inventory:

Under the Freedom of Information Act, the Arts Commission requested information as to which pieces were audited and subsequently cited by the LAC as missing. Not having been provided this information, the Arts Commission is unable to respond specifically about individual pieces cited as missing or about the general percentages cited. SCAC can document that a \$5,500 camera and \$1,298 zoom lens (perhaps the ones cited by the Council to be missing) were in fact stolen in September 1978 and subsequently reported to the agency's insurer through a claim which has been paid.

LAC COMMENT - The inventory control tests conducted by the Council indicate deficiencies in the Commission's system of internal controls over property. To locate or determine the disposition of only the items cited in the Council's test would not prevent similar future occurrences and correct the system's deficiencies.

4. Information Processor Lease:

The Council has, in comparing monthly lease cost and purchase cost, sensationalized dollar figures by omitting pertinent information provided by the Arts Commission in its response to the preliminary LAC report. Furthermore, the purchase price of \$26,647.50, while accurate in November 1978, has since deflated; the correct purchase price as of mid-March 1980 is \$22,382.50. In light of these figures and as substantiated by the Arts Commission in its earlier response to the LAC, the question of lease vs. purchase of this equipment should be accepted by the Council as a moot issue.

The agency contends that it complied with the intent of state purchasing policy. The Arts Commission notes that the Council has edited the policy in its report by citing only two of four stated conditions and thus the resulting citation is inaccurate and misleading; (a) and (b) are not the only conditions to be met.

The Arts Commission has clarified the procedures with General Services and will formally comply with these regulations in the future.

The Arts Commission contends that the LAC misunderstood the information provided by the Arts Commission regarding functions performed by the Information Processor. In addition to "file" functions, SCAC also uses the equipment for word processing functions (in much the same way that the Arts Commission presumes the Council uses its own Information Processor). The equipment is utilized for frequently up to 18 hours a day and often for unattended playback on weekends as well. The SCAC contends that to cite "duplication" is a gross oversimplification of an issue easily understood by persons having a working knowledge of "data" processing applications.

SCAC disagrees with LAC that the employee signing the lease agreement for this equipment was unauthorized to do so. The Executive Director had approved leasing the equipment and had verbally authorized the employee to sign the lease in his absence. SCAC does agree with LAC that the SCAC policy concerning authorization to sign contracts should be revised to give authorization to specific employees to sign contracts in the absence of the Executive Director.

5. Artist resumes:

The Commission agrees that "artists' resumes lacked uniformity." Since the manner in which a resume is written is considered an important part of the selection process, to dictate the form and content of the resumes would be counter productive to this process. The Commission agrees, however, that certain basic facts are needed from each applicant and will consider developing a standard artist application form to use along with a resume.

6. Selection Panels:

The Commission agrees that prior to January 1980 the potential for conflicts of interest existed regarding membership on artist selection panels by artists working for the agency. As of January 17, 1980 the agency revised its policy on this matter to exclude from selection panel membership any artist employed by the Commission in the current fiscal year.

7. Artist Contracts:

The Commission agrees that, prior to January 1979, artists hired for short periods of time (Visiting Artists) were at times hired on oral contracts. However, long-term employment artists (Resident Artists) have always had written contracts. In January 1979 the Arts Commission expanded its policy requiring written contracts to cover all artists employed regardless of the duration of that employment.

8. Artist Salaries:

During FY80 SCAC developed a salary scale for artists who had passed the selection panel. SCAC agrees that this salary scale needs further refinement.

9. Visiting Artist Invoices:

Since October 1979 a new invoice has been used which requires the artist to sign the following statement: "I hereby certify that the above services have been rendered on the above dates." The details of work performed during the contract period appear on the Arts Commission Professional Services Agreement Contract with the artist. The Commission agrees that the program sponsor should also certify that the service was rendered.

10. Indirect Cost Rate:

As outlined in Federal Management Circular 74-4, the responsibility for approval or disapproval of a state agency's cost rate is placed on its federal cognizant agency. The Arts Commission has had an Indirect Cost Rate since June 9, 1978 approved by the National Endowment for the Arts, its federal cognizant agency. The National Endowment for the Arts will provide a maximum of only 50% funding on a project. Therefore, SCAC administrative costs are used as matching funds for each grant and thus considered Direct Costs to the project.

11. Time and Attendance Records:

The SCAC Personnel Coordinator provided LAC with sick, annual and compensation leave records for all employees whose records were requested who had taken leave during the time period stated.

The Commission agrees that, although it keeps records of hours worked on all temporary payroll personnel, it does not keep records of hours worked on all permanent employees. A policy will be developed to correct this practice. The agency does keep records on all leave time taken by permanent employees.

12. Exit Interview:

The Commission agrees that it has been inconsistent in conducting exit interviews. However, it does not agree that there are no "written procedures within the Arts Commission except for the exit interview form itself to explain the purpose and scope of the exit interview." SCAC plans to emphasize its exit interview policy more forcefully in the future.

IV. SCAC Position Concerning Major LAC Recommendations

SCAC's research through "A Canvas of the People" does not substantiate LAC's conclusion that SCAC "should consider becoming primarily a planning, priority setting, monitoring, evaluating, technical assistance and grants management agency."

NATIONAL
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FOR
THE ARTS

WASHINGTON
D.C. 20506



A Federal agency advised by the
National Council on the Arts

Exhibit B

March 20, 1980

Ms. Scott Sanders
Acting Director
South Carolina Arts Commission
1800 Gervais Street
Columbia, South Carolina 29201

Dear Ms. Sanders:

I have your March 19 letter requesting comments on the questionnaire and covering letter that was used as part of a management and programmatic audit of the South Carolina Arts Commission. I am very pleased to give you my observations but wish to caution you about the difficulty of providing a hard and firm judgment because of not having all of the information about the study. Some of the reasons for this reservation will become clear as I comment about certain specific items.

Intention is very important in the design of a questionnaire. It is possible that the people who designed the questionnaire were interested in obtaining opinions and perceptions from certain individuals or organizations and might find the information in response to this questionnaire to be very useful. I do not have the information with which this may be judged. My bias in looking at the material reflects the premise that the data being collected is being aggregated in some fashion to provide a general view, or, in technical terms, the "central tendency," and not being used to develop individual assessments of individual respondents' perceptions.

The covering letter does not make clear that the focus is on the SCAC's role as a presenter. It seems to me that the objective of the questionnaire should be more clearly stated at the front. The covering letter also uses what I would consider to be a somewhat heavy word, "research," to describe what may simply be going to the file to pick out names of grantees. Perhaps the use of the word, "research" was intended to indicate that a sampling procedure was used? If so, I would need to have more information about it in order to judge the questionnaire and covering letter.

The six questions are open-ended so that the respondents were able to write in whatever they thought was an appropriate answer. This approach requires interpretation and coding of the answers to permit the aggregation of the responses. The interpretation and coding scheme that was used is of paramount importance to an understanding of how the responses were sorted out into categories to be aggregated.

The following comments refer to the six specific questions:

Q.1 This question asks for a relative response. To evaluate the response requires knowledge of the respondents' understanding of the agency's goals "as it is presently organized."

Q.2 Similarly, this question as worded is a request for relative and comparative information. The answers can only be meaningful in relation to other data about the respondents' knowledge of the arts needs of the area and the extent to which the SCAC has authority to meet those needs.

Q.3 Similarly, this is a very relative information-seeking question. What do the respondents know about capabilities for programming at a local level? What are those capabilities? Without information on these questions, it is difficult to see what use can be made of the answers to the question as stated in the questionnaire.

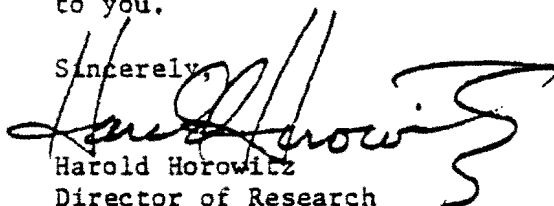
Q.4 This question is worded so that a "yes" or "no" answer is possible, but blank space is provided for a write-in answer. It is possible that most persons would respond "yes" or "no." But, what would such an answer mean to a question like this? Very little, as far as I can judge.

Q.5 How can the answers to this question be useful unless information is available on the knowledge of the respondents about alternative possibilities? It would be most interesting to see how the interpretation and coding of the responses to this question was handled.

Q.6 The final open-ended question is a type that is often used in questionnaires to allow the respondent to blow off steam. As a rule, the answers are disregarded because of the extreme difficulty of interpretation and coding, and the fact that so few people actually answer a final question like this that the variance is likely to be very large.

I sincerely hope these observations and comments are of some help to you.

Sincerely,


Harold Horowitz
Director of Research

cc: Hank Putsch

Through "A Canvas of the People" SCAC conducted a survey of all FY79 SCAC grant applicants and SCAC program recipients. 152 respondents each evaluated a list of 18 SCAC programs (including Grants-in-Aid) and rated each as either "very effective", "effective", or "ineffective". One program was checked by two respondents as "ineffective", and six programs were each checked by one respondent as "ineffective". All other respondents evaluated all 18 SCAC programs as either "very effective" or "effective", thus indicating that in the opinion of those receiving SCAC program services SCAC is effectively serving its constituents. Of 98 schools responding, 77 indicated SCAC should expand the Artists-in-the-Schools program. Of 53 schools responding which have community arts agencies in their community, only 16 indicated they would prefer that the Artists-in-the-Schools program be administered locally. Of the 11 Community Arts Councils responding, only 3 indicated they would be interested in administering the Artists-in-the-Schools program on the local level.

SCAC strongly disagrees with LAC's statement, "To most effectively accomplish these functions and improve administrative efficiency, consideration should be given to placing the Arts Commission within the Governor's Office of Executive Policies and Programs." In this conclusion LAC has made assumptions which the SCAC strongly questions.

LAC Assumptions

1. Administrative Support Services for SCAC will be provided by the Office Executive Policies and Programs.

SCAC Questions

1. Can the Governor's Office really provide all SCAC administrative functions needed at no additional cost? SCAC contacted the Office of the Governor. They indicated their Administrative Support Services Department would not be able to assume additional work with its current staff level.

LAC COMMENT - The Council does not state that the Office of Executive Policies and Programs (OEPP) can take on the administrative support role without additional funds. Two administrative support positions are included in the Council's cost estimate. However, these two positions are not located within the proposed South Carolina Division of Arts Programs but would be in the Administrative Services Division of OEPP. Council staff met with the Director of the Administrative Services Division of OEPP and discussed the feasibility of the Council's proposal. From the discussion the Director indicated that the merger could be accomplished if the recommendation was approved. Also, Council staff met with the Governor's Executive Assistant to discuss the proposal and no commitment was made.

2. State spending for SCAC salaries would be reduced by \$400,000. SCAC staff would be reduced to 15 professional positions.
2. SCAC currently receives \$520,848 state salary and fringe benefit funds. If this amount was reduced by \$400,000, only \$120,840 would remain. This would allow an average of only \$8,056 for each of the 15 positions. A Grants Coordinator's starting salary is \$15,281. Is LAC's budget realistic?

LAC COMMENT - SCAC's FY 79-80 estimated expenditure for State Level administration, including only personal services and fringe benefits, is \$840,444. The Council's proposed State level administration, including two positions in the OEPP Administrative Services Division, is estimated to cost \$401,151 (personal services and fringe benefits).

3. An Arts Planner will be hired by each District Council of Government.

3. Who will pay for the ten Arts Planners? Since National Endowment for the Arts funds aren't available to support this effort, it would cost the state an additional \$200,000.

LAC COMMENT - Any workable combination of State, Federal and local funds could be used. For example, Federal funds could come from the Basic State Agency Grant or the Community Development Grant. Also by allocating the proper amount of indirect costs to its programs the Commission, with proper approval, could use the funds recovered.

V. LAC Role in State Government

The LAC report states, "The LAC was requested to review the cost effectiveness and contractual practices of SCAC."

SCAC maintains that LAC overstepped its appropriate role in recommending how the arts can best be developed in SC. According to SC Code of Laws, Chapter 15, Title 60 (1967), the Board of the Arts Commission is the State body invested with this responsibility. Does the staff of LAC have the expertise and knowledge of the arts which is necessary to make value judgements and recommendations concerning the arts services which SCAC is providing or should provide?

LAC COMMENT - The Council does not state what arts services should be provided and agrees that this is the Commission's role. The Council's intent is to improve the administrative process used to provide these services.

SCAC maintains that LAC entered the audit of the Arts Commission with a biased and pre-determined point of view. This biased point of view is reflected in the LAC's questions on the survey of local arts organizations. (See letter from NEA Research Office.)

LAC Comment - The Council does not consider its local survey a critical factor in drawing its conclusions. The survey was used as a general indicator to better assess the understanding and acceptability of recommendations concerning local involvement. The survey indicates general agreement with an effort to increase local involvement.

SCAC further disagrees with LAC's interpretation of the information from the other seven Southeastern state arts agencies. SCAC has signed surveys on file from the same state arts agencies which indicate:

1. SCAC does not have the largest staff. SCAC has only 40 employees on its regular payroll.
2. The other states all operate programs (including grants in aid) and provide technical assistance to local arts organizations.

LAC COMMENT - State-level programs are necessary but South Carolina has more than any of the other states surveyed. The Council's recommendation does not preclude the Commission providing direct services as long as local service possibilities are not overlooked.

3. The Tennessee Arts Commission states, "All arts needs of the state cannot be met by local arts agencies as they do not exist statewide and numerous programs and services can more efficiently and effectively be administered on a statewide level."

Roy Helms, the Executive Director of the National Association of State Arts Agencies, stated that he knows of no State Arts Agency in the country which provides only grants in aid to local arts organizations. Even states such as New York which have many highly sophisticated professional arts organizations have found it necessary to provide statewide program services and technical assistance as well as grants in aid.

SCAC further maintains that LAC did not provide needed documentation to SCAC which then handicapped SCAC in responding to their criticisms. SCAC requested the opportunity to inspect survey results from other state arts agencies, the local arts councils and a list of "missing" SCAC inventory items. It is the opinion of the SCAC Attorney from the Attorney General's Office (who is also the Attorney General's expert on the Freedom of Information Act) that under the Freedom of Information Act, the above documents are considered public information and SCAC should be given access to these items in order to properly respond to LAC criticism. The LAC did not allow SCAC access to this information, even when requested under Freedom of Information.

LAC COMMENT - By decision of the Audit Council, the release of audit workpapers is not in the public interest. Such a precedent would undermine the ability of the Council to perform its duties. The Council would be unable to collect honest opinions and information if confidentiality could not be provided. In addition, information is provided to the Council from many sources, some of which is unfounded and could libel the parties mentioned if released.

SCAC maintains that LAC provided SCAC with unrealistic requests for information and unrealistic timelines for providing such information.

SCAC maintains that LAC misrepresented the number of employees of SCAC. Although SCAC is authorized 87 positions in its FY80 appropriation, SCAC has only 40 positions filled. LAC was provided with documentation of this fact. Funds were not appropriated to fill the remaining positions.

During the LAC audit, SCAC staff kept records of time devoted to meeting with or collecting information for the LAC. The cost of SCAC staff time alone was over \$10,000. Was this expenditure of state funds cost effective?

SCAC further maintains that it is the role of an auditing office to reflect the complete status of the agency being audited. This would include an account of both positive and negative findings. SCAC was informed by LAC staff when the audit began that their task was to point out only deficiencies. How can the Legislature obtain a clear and total picture of the activities of any state agency if it is provided a report that reflects only deficiencies?

LAC COMMENT - This particular audit was requested because of perceived problem areas. In responding to such requests, problems are often found.